Julius Bär

2007 Annual Report
Julius Baer Holding Ltd.

Including integration and restructuring expenses as well as the amortisation of intangible assets in connection with the acquisition of the three private banks and GAM completed at the end of 2005 and significant financial events (in 2006 only), the net profit achieved in 2007 amounted to CHF 940 million. Excluding these positions, the net profit for 2007 amounted to CHF 1 137 million. Further information on this basis can be found in the presentation and the press release on the 2007 financial results and the 2007 Business Review.

Key figures

	2006	**2007**	Change %
Return on equity (ROE)	10.3%	**14.4%**	-
Return on equity (ROE)[1]	24.3%	**31.6%**	-
Cost/income ratio[2]	66.8%	**62.5%**	-
Cost/income ratio[3]	59.5%	**56.7%**	-

	31.12.2006	**31.12.2007**	Change %
Consolidated balance sheet			
Total assets (CHF m)	35 992.9	**46 933.0**	30.4
Total equity (CHF m)	6 863.9	**6 429.1**	-6.3
BIS Tier 1 ratio	17.1%	**12.9%**	-
Asset under management			
Assets under management (CHF bn)	360.7	**405.1**	12.3
Net new money (CHF bn)	26.8	**35.5**	32.4
Personnel			
Number of employees (FTE)	3 684	**4 099**	11.3
of whom Switzerland	*2 487*	***2 699***	*8.5*
of whom abroad	*1 197*	***1 400***	*17.0*
Moody's Rating Bank Julius Baer & Co. Ltd.	Aa3	**Aa3**	

[1] Net profit of the shareholders of Julius Baer Holding Ltd. less the amortisation of intangible assets and significant financial events/average equity less goodwill

[2] Excluding valuation adjustments, provisions and losses

[3] Excluding valuation adjustments, provisions and losses, amortisation of intangible assets and significant financial events

Performance of Julius Baer Holding registered share (indexed)

Ticker symbols

Reuters	BAER.VX
Bloomberg	BAER VX
Swiss securities number	2 975 865
Listing	
Switzerland	SWX Swiss Exchange
High price 2007 (CHF)	102
Low price 2007 (CHF)	68

Key figures for shares

	2006	**2007**	Change %
Information per registered share (CHF)			
Equity (book value, as of 31.12.)	30.8	**31.0**	0.6
EPS	3.0	**4.4**	43.4
Dividend proposal	0.5	**0.5**	-
Share price (as of 31.12.)	67	**94**	39.5
Market capitalisation (CHF m, as of 31.12.)	14 981	**20 897**	39.5
Capital structure (as of 31.12.)			
Number of registered shares, par value CHF 0.05	223 256 478	**223 256 478**	-
Weighted average number of registered shares outstanding	221 083 934	**215 433 450**	-2.6
Share capital (CHF m)	11.2	**11.2**	-

All share and earnings per share figures throughout this report, unless otherwise indicated, reflect the 2-for-1 share split made on 26 April 2007.

Content

Dear Reader

Julius Baer has achieved very solid results in 2007 despite considerable market tensions especially during the second half of the year. By focusing exclusively on wealth management, we have successfully served the interest of both our clients and our shareholders very well. Even in market circumstances under which capital preservation will gain much more emphasis, we are well positioned to grow our global franchise as well as our profits.

In the past months, both our private banking and our asset management businesses have made significant progress whilst improving profitability. We have grown our global footprint considerably, strengthened our investment product range and continued to broaden our distribution capabilities both internally and through third-party distributors.

The organisational changes announced mid-year have created a pure financial holding company model with three principal operating entities: Bank Julius Baer, GAM and Julius Baer Investment Management (JBIM). The bank focuses on wealth management for high net-worth individuals, GAM on alternative asset management for sophisticated private clients and institutions and JBIM on international asset management for US institutions and for third-party-distributed US mutual funds.

Assets under management of the Julius Baer Group, after divestments net of acquisitions of CHF 4.4 billion, reached CHF 405 billion at the end of 2007, up 12% from CHF 361 billion a year earlier. In addition, assets under custody totalled CHF 68 billion. Net profit amounted to CHF 940 million, up 40% year on year (including[3] in both years integration and restructuring expenses, the amortisation of intangible assets and significant financial events). This earning power will enable us to support our growth initiatives and also to maintain prudent solvency levels. Excess capital we intend to return to our shareholders in a tax-efficient manner.

[3] Excluding these positions, the net profit for 2007 amounted to CHF 1 136.6 million, up 31% from 2006.

The payment of an unchanged dividend of CHF 0.50 per registered share, representing a dividend payout of CHF 106 million, will be proposed to the Annual General Meeting scheduled for 15 April 2008. As announced earlier in the year and forming part of our continued active capital management, we bought back 5.5% of our own shares to be cancelled immediately after approval by the Annual General Meeting. In addition, we announced a share buy-back programme 2008–2010 amounting to approximately CHF 2 billion starting in spring 2008, subject to approval by the Annual General Meeting.

Based on our clear vision, our strong management team and our focused business model, we are confident that we are well positioned for the future. Our optimism rests for the largest part on the support of our experienced staff whose extraordinary commitment we highly value. We also thank our clients and shareholders for their trust in us and look forward to their continued support.

Raymond J. Baer
Chairman

Johannes A. de Gier
President and CEO

Zurich, February 2008

Corporate Governance

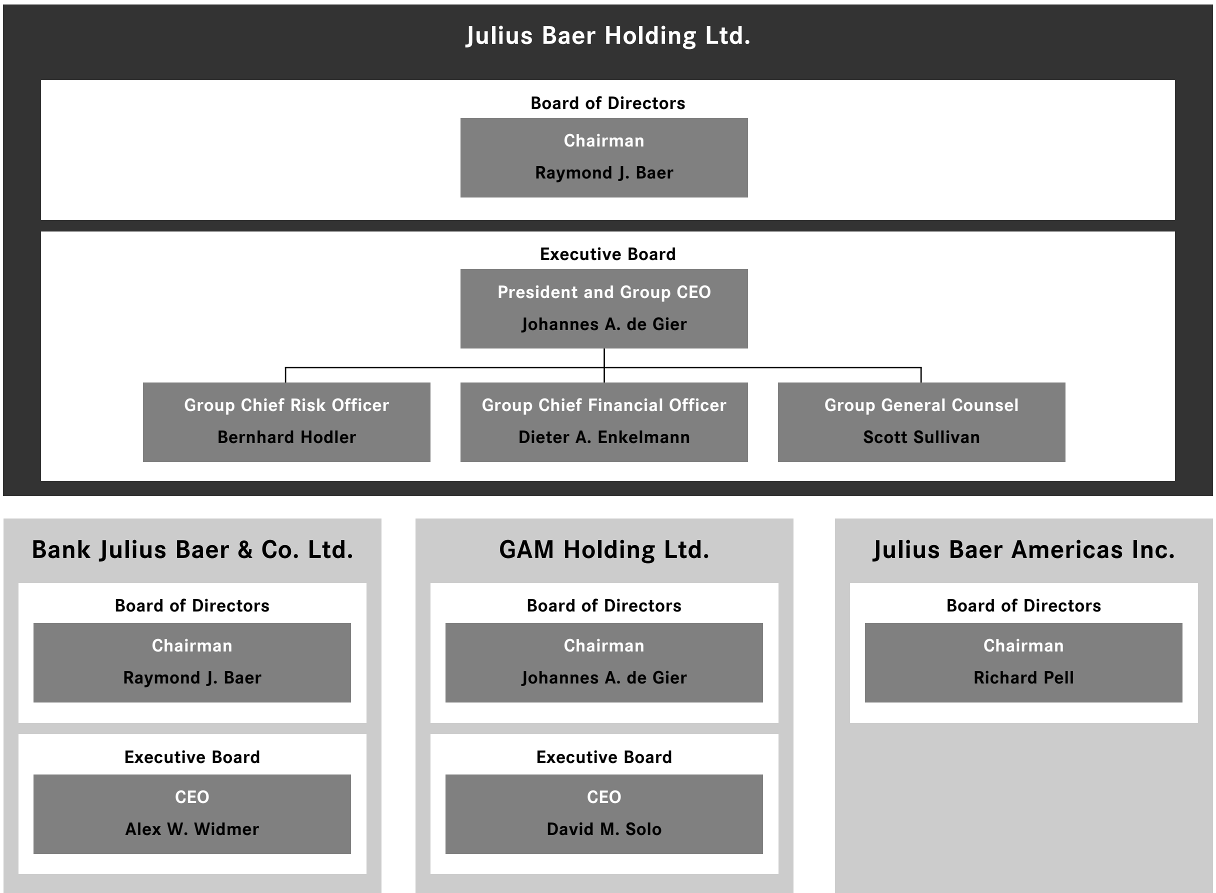
Corporate governance has become a decisive factor in business management. Shareholders, clients and staff are generally considered the key stakeholder groups within the context of corporate governance. Moreover, our focus on achieving sustained success and consistency in our business rests largely on the principle of retaining shareholders, clients and staff for as long as possible. These stakeholders therefore have a right to know what people and power circles determine the development of the company, who makes strategic decisions and who bears the responsibility for them. We therefore aim to thoroughly satisfy these legitimate information needs in this chapter of the Annual Report.

The corporate governance information of Julius Baer Holding Ltd. is presented in accordance with the Corporate Governance Directive of the SWX Swiss Exchange that entered into force on 1 July 2002 and was most recently revised as of 1 January 2007, with the "Instructions for Applying the Corporate Governance Directive" of the Swiss Federal Banking Commission, with the guidelines and recommendations of the "Swiss Code of Best Practice for Corporate Governance" of the Swiss business federation economiesuisse dated 25 March 2002 as well as with this best practice code's Appendix 1, "Recommendation on compensation for board of directors and executive board", dated 15 October 2007, which takes into account the new articles 663bis and 663c paragraph 3 of the Swiss Code of Obligations that entered into force on 1 January 2007 and address transparency with respect to the compensation of the members of the Board of Directors and the Executive Board.

The following information corresponds to the situation at 31 December 2007.

1. Group structure and shareholders

1.1 Operational Group structure of Julius Baer Holding Ltd. (as of 31 December 2007)



The consolidated companies are disclosed on pages 97 to 100.

The above diagram reflects the new holding structure and business operating model of the Julius Baer Group introduced on 15 November 2007. For the purpose of this section of the Annual Report, reference to Bank Julius Baer & Co. Ltd. should be treated as including not only Bank Julius Baer & Co. Ltd. (together with its branches and representative offices) but also other legal entities which combined form the two divisions referred to in Note 8 as Private Banking and Investment Products for which the management of Bank Julius

Baer & Co. Ltd. is responsible. Julius Baer Americas Inc. includes the business activities represented by its subsidiaries including the activities of Julius Baer Investment Management LLC. The management oversight of the activities of all these entities is exercised by the CEO of GAM Holding Ltd.

1.2 Significant shareholders

Based on notifications reported to and received by Julius Baer Holding Ltd., each of the following shareholders held more than 3% of the voting rights of Julius Baer Holding Ltd. as of 31 December 2007:

Shareholder or nominee	Percentage of voting rights at time of notification
Julius Baer Holding Ltd.[1]	6.14%
Wellington Management Company LLP[2]	6.01%
Davis Selected Advisers L.P.[3]	5.45%
FMR LLC (formerly FMR Corp.)[4]	5.05%
AXA Group[5]	4.02%
Fidelity International Limited[6]	3.32%

[1] Julius Baer Holding Ltd., Zurich/Switzerland, as well as Bank Julius Baer & Co. Ltd., Zurich/Switzerland, and Loteco Foundation c/o Julius Baer Holding Ltd., Zurich/Switzerland (reported on 3 July 2007). This position includes 12 222 222 own shares bought back from UBS AG to be cancelled immediately after approval by the Annual General Meeting scheduled for 15 April 2008.
[2] Wellington Management Company LLP, Boston/USA, on behalf of clients (reported on 3 July 2007)
[3] Davis Selected Advisers L.P., Tuscon/USA, on behalf of clients and in investment funds (reported on 31 December 2006)
[4] FMR LLC (formerly FMR Corp.), “Fidelity”, Boston/USA, and its directly and indirectly controlled subsidiaries, on behalf of clients (reported on 13 March 2007)
[5] AXA Group, Paris/France, via group companies AXA S.A., Paris/France, AllianceBernstein L.P., New York/USA, AXA Investment Managers S.A., Paris/France, and AXA Rosenberg Investment Management Ltd., London/England (reported on 22 January 2008 with reference to status as of 1 December 2007)
[6] Fidelity International Limited, Hamilton/Bermuda, and its directly and indirectly controlled subsidiaries, on behalf of clients (reported on 12 December 2007)

1.3 Cross-shareholdings

There are no cross-shareholdings between Julius Baer Holding Ltd. and its subsidiaries or third-party companies.

2. Capital structure

2.1 Capital

As of 31 December 2007, ordinary capital in the amount of CHF 11 162 823.90 existed. There is no authorised capital.

The share capital of the company amounts to CHF 11 162 823.90. It is fully paid and divided into 223 256 478 registered shares with a par value of CHF 0.05 each. The registered shares (security no. 2 975 865; ISIN CH 002 9758650) are listed on the SWX Swiss Exchange, traded on the virt-X in London and are a component of the Swiss Market Index (SMI) and the Swiss Leader Index (SLI).

2.2 Conditional and authorised capital in particular

Conditional capital

The company's share capital may be increased by the issue of up to 10 000 000 registered shares, to be fully paid and each with a par value of CHF 0.05, in a maximum total amount of CHF 500 000 through the exercise of conversion or warrant rights in connection with bonds issued by the company or its subsidiaries. Pre-emptive rights of shareholders are excluded. The acquisition of shares through the exercise of conversion or warrant rights and the subsequent transfer of shares are subject to the entry limitations as set forth in Article 4.3 ff. of the Articles of Incorporation.

When issuing convertible or warrant bonds, the Board of Directors may rescind priority subscription rights of shareholders for important reasons.

Important reasons can be the securing of optimal conditions in issuing the bonds and ensuring equal treatment of domestic and foreign shareholders. In the event that the Board of Directors precludes the priority subscription rights, the following applies:

a) Conversion rights may be exercised only during a maximum of seven years, and warrant rights only during a maximum of four years from the date of issue of the relevant bond.

b) The new shares shall be issued according to the applicable conversion or warrant conditions. The convertible and warrant bonds must be issued in conformity to market conditions (including the usual market conditions with regard to protection against dilution). The conversion or option price must be not less than the average of the last prices paid on the Zurich stock exchange during the five days preceding the determination of the final issue conditions for the relevant convertible or warrant bonds.

2.3 Changes of capital

The description of the changes of capital in the last three years is disclosed on page 34.

2.4 Shares and participation certificates

Shares

	2006	**2007**[1]
Number of shares as of 31 December		
Registered shares with par value of CHF 0.05[1]	111 628 239	**223 256 478**
(all entitled to dividends)		

[1] By resolution of the Annual General Meeting on 17 April 2007, all registered shares were split at a ratio of 1:2, reducing the par value of each registered share from CHF 0.10 to CHF 0.05. At the same time, the number of registered shares increased from 111 628 239 to 223 256 478. These changes took effect on 26 April 2007.

A detailed account of the changes of capital in 2005 is provided on page 36 of the 2005 Annual Report of Julius Baer Holding Ltd.

There are no preferential rights or similar rights. Each share is entitled to one vote.

Participation certificates

There are no participation certificates.

2.5 Bonus certificates

There are no bonus certificates.

2.6 Limitations on transferability and nominee registrations (as of 31 December 2007)

The company shall keep a share register, in which the owners and usufructuaries of the registered shares are entered with their name, address and nationality, respectively, place of incorporation in case of legal entities. In relation to the company, any person entered in the share register shall be deemed to be the shareholder.

Registered shares not physically represented by a certificate and the rights arising therefrom can only be transferred by assignment. The assignment shall only be valid if notice thereof is given to the company. Where registered shares not physically represented by a certificate are administered by a bank on behalf of a shareholder, these shares can only be transferred under the collaboration of the bank.

A person having acquired registered shares shall upon application be entered into the share register as shareholder with voting rights, provided that such person expressly acknowledges that he/she has acquired the shares in his/her own name and for his/her own account. If the person acquiring registered shares does not provide such acknowledgement, the Board of Directors may refuse the entry in the share register.

The Board of Directors may issue rules for the entry in the share register of fiduciaries/nominees. It may enter in the share register fiduciaries/nominees with voting rights of up to 2% of the share capital. The details are set forth in Article 4.4 of the Articles of Incorporation.

2.7 Convertible bonds and options

There are no outstanding convertible or warrant bonds. Information on employee options is disclosed in section 5 as well as in Note 32.

3. Board of Directors

All members of the Board of Directors of Julius Baer Holding Ltd. are non-executive members. The Board of Directors of Bank Julius Baer & Co. Ltd. is composed of the same members as the Board of Directors of Julius Baer Holding Ltd.

3.1 Members of the Board of Directors

Raymond J. Baer (born 1959), Swiss citizen; Law Degree, University of St. Gallen, 1984; LL.M. Degree in Law, Columbia Law School, New York, USA, 1985. Salomon Bros. Inc., New York and London, 1985–1988. Entry into Bank Julius Baer & Co. Ltd., Zurich, as Head of the Swiss Capital Market Group, 1988; Deputy Branch Manager of Bank Julius Baer & Co. Ltd., New York, 1990–1993; member of the Management Committee of Bank Julius Baer & Co. Ltd., Zurich, 1993–1996; member of the Group Executive Board of Julius Baer Holding Ltd. and Head of the Private Banking business line as of 1996; Vice President of the Group Executive Board of Julius Baer Holding Ltd. from 2001 until 13 May 2003; Co-Head of the Private Banking business line from

January 2003 until 13 May 2003; Chairman of the Board of Directors of Julius Baer Holding Ltd. since 14 May 2003 and of Bank Julius Baer & Co. Ltd. since 28 March 2003 (first-time election in 2003, term of office until 2009).

Georges Gagnebin (born 1946), Swiss citizen; Swiss-Certified Banking Expert, 1972. Swiss Bank Corporation, various functions, 1969–1998; member of the Management Committee as of 1 January 1992; UBS AG as of 1998 (merger between Swiss Bank Corporation and Union Bank of Switzerland): Head International Clients Europe, Middle East & Africa in the Private Banking division and member of the Group Managing Board, 1998–2000; member of the Group Executive Board, 2000–2004; CEO Private Banking UBS AG, 2000–2002; Chairman Wealth Management & Business Banking, 2002–2004; Vice Chairman SBC Wealth Management AG as of 2004. Entry into the Julius Baer Group on 3 December 2005 as Chairman Private Banking of Julius Baer Holding Ltd.; Vice Chairman of Julius Baer Holding Ltd. and Bank Julius Baer & Co. Ltd. since 2006 (2006, 2008).

Peter Kuepfer (born 1944), Swiss citizen; Certified Accountant's Degree, 1972. Member of the Executive Board of CS Holding, 1989–1996; Chairman of the Board of Directors of CS Life, 1989–1993; President of the Executive Board of Bank Leu, Zurich, 1993–1996; Independent Management Consultant since 1997. Member of the Board of Directors of Julius Baer Holding Ltd. and of Bank Julius Baer & Co. Ltd. since 1999; 2002 until 12 April 2006 Vice Chairman; Independent Lead Director (1999, 2008).

Paul Embrechts (born 1953), Belgian citizen; Mathematics Degree, University of Antwerp, 1975; Dr. Sc. (Math), Catholic University of Leuven, Belgium, 1979. Full Professor of Mathematics, Swiss Federal Institute of Technology Zurich, since 1989; Lecturer, University of Limburg, Belgium, 1985–1989; Lecturer in Statistics, Imperial College, London, 1983–1985; Visiting Professor, University of Strasbourg (1996), ESSEC Paris (1995–1996), London School of Economics and Political Science (2003–2004). Member of the Board of Directors of Julius Baer Holding Ltd. and of Bank Julius Baer & Co. Ltd. since 1997 (1997, 2009).

Rolf P. Jetzer (born 1950), Swiss citizen; Dr. of Law, University of Zurich, 1979; Certificat des Hautes Etudes Européennes (H.E.E.), College of Europe, Bruges, Belgium, 1981; bar exam, Canton of Zurich, 1981; courses on American banking law at New York University, USA, 1981. Attorney in the law firm of Lillic McHose & Charles, Los Angeles, California, USA, 1981–1982; attorney in the law firm of Niederer Kraft & Frey, 1982–1987, and Partner in the firm since 1988. Member of the Board of Directors of Julius Baer Holding Ltd. and of Bank Julius Baer & Co. Ltd. since 2005 (2005, 2010).

Monika Ribar Baumann (born 1959), Swiss citizen; Business Administration Degree, University of St. Gallen, 1983; Executive Program, Stanford University, California, USA, 1999. Controlling and Group Reporting, BASF Austria, Vienna, 1984–1986; Fides (now KPMG Switzerland), Head of Planning, 1986–1990; with Panalpina since 1991: Head of project to introduce group accounting and global standardised software for the Finance and Controlling Department, 1991–1994; Corporate Controller, Panalpina, 1995–2000; Chief Information Officer and member of the Group Executive Board of Panalpina Ltd., Basle, 2000 until mid-2005; subsequently CFO and member of the Group Executive Board of Panalpina Ltd., Basle, until September 2006; CEO and

President of the Group Executive Board of Panalpina Ltd., Basle, since October 2006. Member of the Board of Directors of Julius Baer Holding Ltd. and of Bank Julius Baer & Co. Ltd. since 2001 (2001, 2010).

Béatrice Speiser (born 1963), Swiss citizen; Law Degree, University of St. Gallen, 1986; bar exam, Basle City, 1989; Dr. of Law, University of St. Gallen, 1993; Advanced Management Program, Wharton School, University of Pennsylvania, Philadelphia, USA, 2002. Practising Attorney in Basle since 1990; Lecturer at the University of Haute-Alsace since 1998; Alternate Judge at the Social Insurance Court of Basle City since 2002; Judge (part-time) at the Civil Court of Basle City since 2004. Member of the Board of Directors of Julius Baer Family Office Ltd., Zurich, from 2000 until June 2006; member of the Board of Directors of Julius Baer Holding Ltd. and of Bank Julius Baer & Co. Ltd. since 2003 (2003, 2009).

Charles G. T. Stonehill (born 1958), dual British and American Citizen; Master of Arts in Modern History, Oxford University, UK, 1978. J.P. Morgan & Co., Corporate and Investment Banking, 1978–1984; Morgan Stanley & Co., Managing Director and Head of Equity Division Europe, 1984–1997; Credit Suisse First Boston, Head of Investment Banking for the Americas and member of the Operating Committee, 1997–2002; Lazard Frères, Global Head of Capital Markets and member of the Executive Committee, 2002–2004; Non-executive Director of Gulfsands Petroleum, 2005–2006; Independent Director of the London Metal Exchange Ltd. since 2005; Executive Chairman of Panmure Gordon plc. since 2006. Member of the Board of Directors of Julius Baer Holding Ltd. and Bank Julius Baer & Co. Ltd. since 2006 (2006, 2008).

Daniel J. Sauter (born 1957), Swiss citizen; Swiss-Certified Banking Expert, 1983. Gewerbebank, Zurich, Trainee, 1976–1978; Bank Leu, Zurich, Foreign Exchange Trader, 1978–1981; Bank fuer Kredit und Aussenhandel, Zurich, Foreign Exchange and Money Market Trader, 1981–1983; with Glencore International, Zug, 1983–1998: Treasurer and Risk Manager, 1983–1988; Chief Financial Officer, 1989–1998; with Xstrata AG, Zug, 1994–2001: development of Xstrata AG into a globally diversified mining group; Chief Executive Officer, 1995–2001; Trinsic AG, Zug, Co-founder and Chairman of the Board of Directors since 2001; Alpine Select AG, Zug, Chairman of the Board of Directors since 2001. Member of the Board of Directors of Julius Baer Holding Ltd. and of Bank Julius Baer & Co. Ltd. since 2007 (2007, 2010).

Gareth Penny (born 1962), South African citizen; Master of Arts in Philosophy, Politics and Economics, Oxford University, UK, 1985. Anglo American Corporation, Johannesburg, South Africa, Head of Anglo American & De Beers Small Business Initiative, 1988–1991; Teemane Manufacturing Company, Debswana, Botswana, Project Manager, 1991–1993; with The Diamond Trading Company (DTC), London, UK, 1993–2006: Sales Executive, 1993–1994; Personal Assistant to the Chairman of De Beers SA, 1994–1996; Diamond Consultant for South Africa,1996–1999; Head of Strategic Review, 1999–2001; Executive Director & Head of Sales & Marketing, 2001–2004; Managing Director Diamond Trading Company, 2004–2006; member of the Board of De Beers SA, Luxembourg, since 2003; Group Managing Director since 2006. Member of the Board of Directors of Julius Baer Holding Ltd. and of Bank Julius Baer & Co. Ltd. since 2007 (2007, 2010).

Changes in the Board of Directors
At the Annual General Meeting on 17 April 2007, Daniel J. Sauter and Gareth Penny were elected to the Board of Directors for a term of three years each.

At the same time, Monika Ribar Baumann and Rolf P. Jetzer were re-elected for three years. And after serving on the Board of Directors for a total of six years, Daniel Borel decided not to seek re-election when his second term of office expired.

Georges Gagnebin, Vice Chairman of the Board, has decided not to stand for re-election at the Annual General Meeting of 15 April 2008. On the same date, Paul Embrechts will also relinquish his mandate after serving on the Board of Directors for eleven years.

3.2 Other activities and functions

In applying the Corporate Governance Directive and the corresponding commentary of the SWX Swiss Exchange, we fundamentally disclose mandates and interest ties with exchange-listed domestic and foreign companies as well as with domestic and foreign banks and finance companies outside of the Julius Baer Group. There are no further activities/interest ties within scope of section 3.2 than those listed below:

Raymond J. Baer: Member of the Chairman's Committee of the Board of the Swiss Bankers Association;
President of the Association of Swiss Commercial and Administrative Banks;
Member of the Foundation Board of the Swiss Finance Institute;
Member of the Admissions Board of the SWX Swiss Exchange.

Paul Embrechts: Member of the Board of Directors of Swiss Life Holding AG, Zurich;
Member of the Board of Directors of Rentenanstalt/Swiss Life, Zurich.

Georges Gagnebin: Member of the Board of Directors and the Audit Committee of Affichage Holding SA, Geneva;
Member of the Board of Directors of various investment funds of Lansdowne Partners Limited, London.

Rolf P. Jetzer: Chairman of the Board of Directors of Swiss International Air Lines, Zurich;
Chairman of the Board of Directors of Capital Dynamics Holding, Zug;
Chairman of the Board of Directors of equity4life AG, Zurich;
Chairman of the Board of Directors of Swiss Insurance Investors Limited, Zurich;
Member of the Board of Directors of Banque Algérienne du Commerce Extérieur SA, Zurich.

Peter Kuepfer: Member of the Board of Directors of Holcim Ltd, Jona;
Member of the Board of Directors of LB (Swiss) Privatbank AG, Zurich;
Member of the Supervisory Board of Metro AG, Duesseldorf, Germany.

Monika Ribar Baumann: Member of the Board of Directors of Logitech International SA, Romanel-sur-Morges.

Charles G. T. Stonehill: Independent Director of the London Metal Exchange Limited, London;
Executive Chairman of Panmure Gordon plc, London;
Member of the Board of Directors of LCH.Clearnet Group Limited, London.

Daniel J. Sauter: Chairman of the Board of Directors of Trinsic AG, Zug;
Chairman of the Board of Directors of Alpine Select AG, Zug;
Member of the Board of Directors of Sika AG, Baar;
Member of the Board of Directors of Sulzer Ltd, Winterthur;
Member of the Board of Directors of Charles Vögele Holding Ltd, Pfaeffikon;
Member of the Board of Directors of Model Holding AG, Weinfelden.

Gareth Penny: Member of the Board of Directors of De Beers SA, Luxembourg.

3.3 Elections and terms of office

The members of the Board of Directors are elected by the Annual General Meeting normally for a term of three years. The period between two Ordinary General Meetings is deemed to be one year. The term of office for each director shall be fixed with his/her election. The various terms of office shall be fixed in a way to assure that approximately one-third of all members are newly elected or re-elected each year. Members whose term of office has expired are immediately eligible for re-election. The Board of Directors shall constitute itself. The maximum (cumulative) term of office for the members of the Board of Directors is generally twelve years. Members who have reached their 67th year of age generally do not seek re-election after their term of office expires. In exceptional instances, however, the Board of Directors may propose the re-election of such a member to the Annual General Meeting. The term of office of a member of the Board of Directors ends automatically at the Annual General Meeting in the year in which he/she completes his/her 70th year of age.

The year of first-time election and the remaining term of office of each member are disclosed in section 3.1.

3.4 Internal organisational structure

The Board of Directors consists of three or more members. It meets as often as business requires, but at least once per quarter. The presence of a majority of its members is necessary for resolutions to be passed with the exception of the ascertainment resolution and the resolution concerning the amendment of the Articles of Incorporation as well as the capital increase report in the case of capital increases. Resolutions are passed by an absolute majority of votes of members present. In the case of a tie vote, the Chairman shall have the casting vote. The Group Chief Executive Officer and the Group Chief Financial Officer fundamentally participate in the meetings of the complete Board of Directors. These meetings generally take up at least half a day.

In order to gauge the effectiveness of its activities, the Board of Directors as a whole as well as the respective committees carry out an annual self-assessment. The aim is to review and assess what has been achieved relative to the objectives formulated at the beginning of the year. The results of the committees are brought to the attention of the complete Board of Directors.

The Board of Directors normally meets for at least one strategy seminar a year. The purpose of these meetings is to analyse the positioning of the Julius Baer Group as well as to review and if necessary redefine its strategic direction in light of the prevailing macroeconomic and company-specific circumstances.

During the year under review, the complete Board of Directors held six meetings and a two-day strategy seminar.

Attendance of the members of the Board of Directors at the meetings of the Board of Directors

							2007
	February	April	June	September	Strategy seminar	October	December
Raymond J. Baer	x	x	x	x	x	x	x
Georges Gagnebin	x	x	x	x	x	x	x
Daniel Borel[1]	x	x	–	–	–	–	–
Paul Embrechts	x	x	x	x	x	E	x
Rolf P. Jetzer	x	x	x	x	x	x	x
Peter Kuepfer	x	x	x	E	x	x	x
Gareth Penny[2]	–	–	x	x	x	x	x
Monika Ribar Baumann	x	x	x	x	x	x	x
Daniel J. Sauter[2]	–	–	x	x	x	x	x
Béatrice Speiser	x	x	x	x	x	x	x
Charles G. T. Stonehill	x	x	x	x	x	E	x

1 Left the Board of Directors at the Annual General Meeting 2007
2 Joined the Board of Directors at the Annual General Meeting 2007
E = excused

From among its members, the Board of Directors elects a Chairman as well as the chairmen and the members of the committees of the Board of Directors. The chairmen of the committees are responsible for seeking advice from external specialists as well as members of the Group Executive Board as needed.

According to the Articles of Incorporation of Julius Baer Holding Ltd. (Article 9), the Board of Directors has the following non-transferable and irrevocable duties:

a) to supervise the company and issue the necessary instructions;
b) to determine the organisation;
c) to arrange the accounting, financial control and financial planning inasmuch as they are necessary for the management of the company;
d) to appoint and remove the persons entrusted with the company's management;
e) to control those persons entrusted with the management of the company, also in relation to compliance with laws, statutes, regulations and instructions;
f) to draw up the Annual Report and to prepare the Annual General Meeting and implementation of its resolutions;
g) to inform the judge in the event of insolvency.

The Board of Directors may assign the preparation and carrying out of its resolutions or the supervision of business transactions to committees or individual members. It must make sure its members are suitably informed.

Within the Board of Directors, responsibilities are divided up in accordance with the definition of the areas of responsibility in section 3.5 on page 19.

The responsibilities and members of the currently existing committees of the Board of Directors

The members of the Board of Directors discuss specific topics in the Board's committees. Each of these committees is chaired by an independent director.

Audit Committee

The Audit Committee is responsible for monitoring business operations and controlling compliance with laws, statutes and regulations. It also ensures the receipt of regular information as to compliance by its subsidiaries with such obligations. The Audit Committee controls the standards and methodologies of the internal control systems in relation to the risk profile of the Group. The committee directs and monitors the activities of the internal auditors and ultimately determines the compensation paid to the Head of Internal Audit. It ensures contact with the external auditors at the level of the Board of Directors and monitors their performance and independence as well as their cooperation with the internal auditors. The Chairman of the committee meets with the Head of Internal Auditing on a regular basis throughout the year, usually every two months. The committee is also responsible for assessing the performance of the external auditors on an annual basis. It reviews their reports about the rendering of the accounts and the management letter and provides a recommendation to the entire Board of Directors regarding election of the external auditors at the Annual General Meeting. Moreover, it is responsible for the integrity of controls for financial reporting and for the review of certain financial statements, including the consolidated statement of the Group, the annual financial statement, and interim statements, before they are presented to the entire Board of Directors for approval. It also reviews the internal and external communication regarding the financial data and accounting statements and related information.

The members of the Audit Committee are independent. The Audit Committee convenes at least four times a year for about two to three hours on average. The Head of Internal Audit and representatives of the external auditors participate in every meeting. During the year under review, the Audit Committee held five meetings.

Members: Charles G. T. Stonehill (Chairman), Monika Ribar Baumann, Paul Embrechts, Rolf P. Jetzer, Daniel J. Sauter

Compensation Committee

The Compensation Committee ultimately determines the compensation of the Chairman and Vice Chairman of the Board of Directors, the Group Chief Executive Officer and the other members of the Executive Board of Julius Baer Holding Ltd. It also prepares and provides to the Board of Directors all compensation proposals relating to all other members of the Board of Directors. The Compensation Committee is responsible for approving any compensation policies relating to the Group as a whole as well as any compensation policies within the Group which are linked to the shares of Julius Baer Holding Ltd. With respect to decisions of a specialised nature, the Compensation Committee may seek advice from additional members of the Board of Directors. The Compensation Committee convenes as often as necessary for two hours on average. During the year under review, the Compensation Committee held six meetings.

Members: Peter Kuepfer (Chairman), Gareth Penny, Béatrice Speiser

Nomination Committee (ad hoc)

The Nomination Committee is responsible for long-term succession at the level of the Board of Directors. It is entrusted with the assessment and preliminary selection of new members of the Board of Directors as well as with preparing the corresponding election recommendations of the Board of Directors for the Annual General Meeting. Moreover, it is responsible for assessing candidates and for deciding on appointments and dismissals of the Chairman and members of the Board of Directors of direct subsidiaries. It convenes as needed.

Members: Peter Kuepfer (Chairman), Raymond J. Baer, Rolf P. Jetzer, Charles G. T. Stonehill

3.5 Definition of areas of responsibility

Fundamentals

The governing bodies are responsible for the strategic direction of the Julius Baer Group and Julius Baer Holding Ltd. as well as for determining and implementing the principles of organisation, management and monitoring. They are accountable for providing the means necessary to achieve the targeted objectives and bear ultimate responsibility for the overall results. They supervise the maintenance of the Group as a whole and coordinate and oversee all activities carried out by, and in the name of, Julius Baer Holding Ltd.

The individual responsibilities and powers of the governing bodies arise from the Organisational and Management Regulations as well as the appendix thereto, which forms an integral part of the Organisational and Management Regulations.

The decisions of the governing bodies are implemented by the Group companies in compliance with the respective applicable legal and supervisory regulations.

Board of Directors

The Board of Directors is responsible for the ultimate direction, supervision and control of the company, which it fulfils within scope of the duties stipulated in Article 716a of the Swiss Code of Obligations and through calling on its various committees. The complete Board of Directors is especially responsible for preparing all topics which fall within the competence of the Annual General Meeting and receives support and advice from the Audit Committee in particular in matters of financial reporting, dividend proposals and other capital management questions. Based on the proposal of the Audit Committee, the complete Board of Directors decides on the external auditors to be recommended for appointment at the Annual General Meeting. It decides on the proposals from the Executive Board regarding formation, change in the capital or ownership, capital increase or decrease, change of legal form and liquidation as well as closure of direct subsidiaries. Entering into, dissolving and modifying joint ventures of strategic importance by Julius Baer Holding Ltd. or direct subsidiaries also falls within the competence of the complete Board of Directors. Moreover, the complete Board of Directors appoints the Group Chief Executive Officer and the other members of the Executive Board and, based on the proposal of the Audit Committee, decides on the appointment and dismissal of the Head of Internal Audit. It is responsible for succession planning relating to the Group Chief Executive Officer. The complete Board of Directors is responsible for determining the overall risk policy of the organisation as well as for the design of accounting, financial controlling and strategic financial planning. It also decides on capital market transactions resulting in the issue of bonds of the company as well as on the issue of bonds by subsidiaries based on a graduated competence schedule regarding the capital and time commitment involved.

Executive Board
The Executive Board formulates and develops the overall strategy, within the parameters established by the Board of Directors, and is accountable for all operational and organisational matters as well as for the operating results. Within scope of this, all matters that have not been entrusted to other corporate bodies or units by the Board of Directors fall within the responsibility of the Executive Board.

The Executive Board is presided over by the Group Chief Executive Officer, who is responsible for ensuring the consistent development of the Group in accordance with established business policies, for establishing the organisation of the Executive Board itself, and for representing the Executive Board in its relationship with the Board of Directors and third parties.

The Executive Board has the right to issue binding directives to and demand reporting or consultation before a decision from individual or all Group companies, or regarding individual matters.

In addition, the Executive Board may form committees for specific tasks and regulate their activities. Their composition and areas of responsibility must be approved beforehand by the Board of Directors.

The ultimate responsibility for the activities of the risk, legal and compliance, finance and accounting, communications and investor relations functions within the subsidiaries shall rest with the appropriately designated member of the Executive Board. Moreover, the Executive Board is responsible for the corporate administration, in particular the registration of shareholders in the share register as well as the keeping of the shareholders' register. The Executive Board coordinates press contacts, press conferences and press releases and is responsible for investor relations and corporate identity (including corporate design and trademarks) of the company. It also monitors and evaluates financial and other risks as well as compliance with rules governing equity capital, risk distribution and liquidity maintenance.

3.6 Information and control instruments vis-à-vis the Executive Board

In order to control the business activity of the Julius Baer Group, the Board of Directors has formed the committees listed in section 3.4. The different committees are regularly kept informed by means of relevant reports from the Group companies. Moreover, these reports are discussed in depth during regular meetings with the relevant bodies.

In addition, the Board of Directors has an independent internal auditing unit at its disposal. The obligations and rights of the internal auditing unit are set forth in a separate code of responsibilities. The internal auditing unit has an unlimited right to information and access to documents with respect to all companies and elements of the Group. Furthermore, in consultation with the Chairman of the Board of Directors, the Chief Executive Officer may ask the internal auditing unit to carry out special investigations outside of the planned auditing activities. The Head of the internal auditing unit is appointed by the Board of Directors.

4. Senior Management

4.1 Members of the Executive Board

Johannes A. de Gier (born 1944), Dutch citizen; Law Degree, University of Amsterdam, 1970. Swiss Bank Corporation, SBC Warburg and Warburg Dillon Read, various functions, 1980–1991; UBS Warburg, Chairman and CEO and member of the Group Executive Board of UBS AG, 1991–2001; UBS AG, Executive Vice Chairman of the Board of Directors, 2001–2003; GAM Holding AG, Chairman of the Board of Directors since 2002; SBC Wealth Management AG, Chairman of the Board of Directors, 2003 until November 2005; Banco di Lugano, Vice Chairman of the Board of Directors, 2003 until November 2006; Ehinger & Armand von Ernst, 2003 until March 2006, most recently Chairman of the Board of Directors; Ferrier Lullin & Cie SA, 2003 until February 2006, most recently Vice Chairman of the Board of Directors. Entry into the Julius Baer Group on 2 December 2005 as President of the Group Executive Board and Group Chief Executive Officer of Julius Baer Holding Ltd.; President of the Executive Board and Group CEO since 15 November 2007.

Dieter A. Enkelmann (born 1959), Swiss citizen; Law Degree, University of Zurich, 1985. Credit Suisse Group, various functions in Investment Banking, 1985–1997; Swiss Re, Head Corporate Financial Management and Investor Relations, 1997–2000; Swiss Re, Chief Financial Officer of the business unit Financial Services, 2001–2003; Barry Callebaut, Chief Financial Officer, 2003–2006. Entry into the Julius Baer Group on 11 December 2006 as member of the Group Executive Board and Group Chief Financial Officer; member of the Executive Board and Group CFO since 15 November 2007.

Bernhard Hodler (born 1960), Swiss citizen; Business Administration Diploma, College of Economics and Business (HWV), Berne, 1987; Staff IT School SIB, Zurich, 1988–1989; Financial Risk Manager, GARP, 1997; Advanced Executive Program, Swiss Banking School, 1999–2000; Advanced Management Program, Wharton School, University of Pennsylvania, Philadelphia, USA, 2004. Credit Suisse, Head of Global Market and Credit Risk and Global Controlling Trading and Sales, member of Senior Management, 1994–1996; Credit Suisse First Boston, Head of European Risk Management, Director, 1997–1998. Entry into Bank Julius Baer & Co. Ltd. as Head of Global Risk Management, 1998; President of the Management Committee of Bank Julius Baer & Co. Ltd., member of the Extended Group Executive Board and Chief Risk Officer of the Julius Baer Group from 2001 until 2 December 2005; Chief Risk Officer and Head of the Corporate Centre from 3 December 2005 until 14 November 2007; member of the Executive Board and Group Chief Risk Officer since 15 November 2007.

Scott Sullivan (born 1968), British citizen; Bachelor of Law, University of Southampton, UK, 1989; admission to bar for England and Wales, 1991. Barrister in private practice, London, UK, 1991–2000; Deutsche Bank, London, UK, 2000–2005: member of Corporate Advisory Department, 2000–2003; UK Head of Legal for Asset Management, Private Wealth Management, Trust and Security Services and Offshore, 2004–2005; Group Head of Legal & Compliance, GAM Holding Ltd., London, UK, since June 2005. Entry into the Julius Baer Group in December 2005 as General Counsel for the Asset Management division; member of the Corporate Centre management, General Counsel of the Julius Baer Group and Secretary to the Group Executive Board from April 2006 until 14 November 2007; member of the Executive Board and Group General Counsel since 15 November 2007.

Changes in the Group Executive Board and the Senior Management

With the implementation of a pure holding company structure as of 15 November 2007, the organisation of the Group's managing bodies was aligned with the changed status of Julius Baer Holding Ltd. as a financial holding company.

As a result of these changes, Alex W. Widmer assumed the role of CEO of Bank Julius Baer as of 15 November 2007. On the same date, David M. Solo took over the leadership of the specialised asset management companies GAM and JBIM (USA).

Former members of the Corporate Centre management Jan A. Bielinski and Andrew Wills took up similar functions as Chief Communications Officer and Financial Controller in the Group Functions area as of 15 November 2007, whereas Helmut U. Vollert relinquished his function on the same date and will enter early retirement in spring of 2008.

4.2 Other activities and functions

In applying the Corporate Governance Directive and the corresponding commentary of the SWX Swiss Exchange, we fundamentally disclose mandates and interest ties with exchange-listed domestic and foreign companies as well as with domestic and foreign banks and finance companies outside of the Julius Baer Group. There are no further activities/interest ties within scope of section 4.1.

4.3 Management contracts

There are no management contracts between Julius Baer Holding Ltd. and companies (or individuals) outside of the Group.

5. Content and method of determining the compensation and the Equity Participation Programmes (as of 31 December 2007)

Compensation

The compensation of the members of the Board of Directors consists of a base honorarium, dependent on each member's function within this corporate body, and an allotment of Julius Baer Holding Ltd. registered shares and/or options on such registered shares along the parameters of the Long-Term Incentive Plan, each year of such member's term. The allotment of such shares and/or options takes place at the time of election and re-election respectively of the member of the Board and is granted for the entire term (usually three years). The shares and options allotted in this way cannot be disposed of until the end of the third year following the grant date and are subject to vesting and forfeiture clauses. Allotments made to the Chairman and Vice Chairman of the Board of Directors follow the LTI Plan regulations for Senior Management. There is no additional compensation for members of the Board of Directors for attending meetings.

The compensation of Senior Management members consists of a base pay, a variable bonus determined annually (with the character of a one-time payment) and/or an allotment of Julius Baer Holding Ltd. registered shares and/or options on such registered shares. Individual bonus allocation is fundamentally contingent on a performance appraisal based on the annually defined goals, guidelines and expectations. The Compensation Committee of the Board of Directors is responsible for determining the compensation (and individual components thereof) of Senior Management members.

Equity Participation Programmes

The Compensation Committee of the Board of Directors is responsible for determining and making changes to all of the Equity Participation Programmes. The programmes described in detail below reflect the situation as of 31 December 2007. The registered shares of Julius Baer Holding Ltd. required for the Equity Participation Programmes are procured in the market. More information on the Equity Participation Programmes is disclosed in Note 32.

Staff Participation Plan

Within the integration and harmonisation process, a newly defined Staff Participation Plan was approved. It came into force on 1 January 2007 and grants the employees – depending on the function level/rank – the right to purchase registered shares of Julius Baer Holding Ltd. at a discount that is defined every year. During the transition period 2006, no Staff Participation Plan was offered. Information with regard to the Staff Participation Plan 2007 can be found in Note 32.

Equity Bonus Plan
Up to 2006, Senior Management had the possibility to choose to have part or all of their bonus paid out in the form of Julius Baer Holding Ltd. registered shares and/or options on such registered shares at market price. The shares and options acquired in this way are subject to a sales restriction period. The Equity Bonus Plan was cancelled end of 2006 (see Note 32).

Long-Term Incentive Plans
The Long-Term Incentive Plans of the Julius Baer Group are aimed at employees who have a significant influence on the Group's long-term development and financial results as well as at the members of the Board of Directors. The purpose of the Incentive Plans is to strengthen the long-term commitment to the Group and to foster interdisciplinary teamwork in that the entitled employees are granted Julius Baer Holding Ltd. registered shares and/or options on such registered shares or exceptionally equity instruments of a Julius Baer Group subsidiary, e.g. GAM, whose value depends, among other things, on the long-term success of the organisation as a whole or exceptionally on the long-term success of the respective Julius Baer Group subsidiary. In line with the objectives of the plans, the shares and/or options are tied to a vesting and forfeiture clause. Only after expiration of the vesting period are employees entitled to the registered shares and/or options, provided that said employees are in ongoing employment (forfeiture clause) and that the other conditions of the plans are met. The shares and options acquired in this way are subject to a sales restriction period. Until expiration of the vesting period, the Loteco Foundation and the GAM Employee Benefit Trust manage the shares and options that have been allotted to the beneficiaries within the scope of the Long-Term Incentive Plan. The Loteco Foundation and the GAM Employee Benefit Trust hedge their liabilities from the Long-Term Incentive Plan on allocation date through the purchase of the corresponding shares and/or options. The financing of these shares and/or options is carried out by the respective employer companies.

6. Shareholders’ participation rights (as of 31 December 2007)

6.1 Voting-rights restrictions and representation

In relation to the company, any person entered in the share register shall be deemed to be a shareholder. Shareholders may represent their shares themselves or have them represented by a third party at the Annual General Meeting.

There are no voting-rights restrictions; each share is entitled to one vote.

6.2 Statutory quorums

Except where otherwise required by mandatory law or Article 8.14 of the Articles of Incorporation, all resolutions of the Annual General Meeting are passed by an absolute majority of the votes cast, excluding blank or invalid ballots.

6.3 Convocation of the Annual General Meeting

The convocation of the Annual General Meeting complies with the applicable legal regulations. The convocation of a General Meeting may also be requested by one or more shareholders who together represent at least 10% of the share capital. The Board of Directors must convene the requested General Meeting within six weeks of receiving the request.

6.4 Agenda

Shareholders who represent shares of a nominal value of CHF 100 000 may demand that matters be put on the agenda. This request must be submitted to the company at least six weeks before the date of the Annual General Meeting. The request to convene a meeting and to put a matter on the agenda must be done in writing including the matters to be handled and the proposals.

6.5 Registrations in the share register

In the invitation to the Annual General Meeting, the Board of Directors states the applicable record date by which shareholders must be registered in the share register to be eligible to participate and vote at the meeting.

7. Changes of control and defence measures

7.1 Duty to make an offer

There is no corresponding statutory regulation.

7.2 Clauses on changes of control

There are no clauses on changes of control benefiting the members of the Board of Directors and/or the Group Executive Board and/or other members of management.

8. Auditors

8.1 Duration of mandate and term of office of Head Auditor

In accordance with the Articles of Incorporation, the external auditor must be elected at each Annual General Meeting for a term of office of one year. KPMG Ltd has been the statutory external auditor of the Julius Baer Group and Julius Baer Holding Ltd. since the Annual General Meeting on 12 April 2006. In accordance with the applicable governance regulations, Daniel Senn serves as the Head Auditor, replacing Alexander Gut, who fulfilled this function since the beginning of the mandate but has left KPMG Ltd.

8.2 Auditing fees

The Julius Baer Group paid KPMG Ltd auditing fees totalling CHF 4.8 million in the 2007 financial year. The previous year, the auditing fees totalled CHF 3.8 million.

8.3 Additional fees

For additional services such as tax counselling, the Julius Baer Group paid KPMG Ltd fees totalling CHF 0.8 million during the 2007 financial year. The previous year, the additional fees totalled CHF 0.5 million.

8.4 Supervisory and control instruments vis-à-vis the auditors

The Audit Committee of the Board of Directors confers regularly with the Head Auditor of KPMG Ltd about the effectiveness of the internal control systems in view of the risk profile of the Group. In addition to this, it reviews the scope of the auditing work, the quality of the work and the independence of the external auditors. The external auditors have direct access to the Audit Committee at all times.

9. Information policy

Julius Baer Holding Ltd. informs its shareholders and the public each year by means of the Annual and Half-year Reports. It provides a summary account of the business performance in the first and third quarters in a separate management letter. It also publishes press releases, presentations and brochures as needed. The documents are generally available to the public in electronic form at www.juliusbaer.com as well as in print form.

Important dates

15 April 2008	Annual General Meeting, Zurich
18 April 2008	Ex-dividend date
28 July 2008	Release of half-year results, Zurich

Additional information events are held regularly and as needed in Switzerland and abroad.

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Financial Report

Financial Report Group 2007

Consolidated income statement

	Note	2006 CHF 1000	**2007** CHF 1000	Change CHF 1000	Change %
Interest income		752 821	**1 058 468**	305 647	40.6
Interest expense		494 987	**735 547**	240 560	48.6
Net interest income	1	257 834	**322 921**	65 087	25.2
Fee and commission income		2 880 221	**3 401 422**	521 201	18.1
Commission expense		531 431	**649 205**	117 774	22.2
Net fee and commission income	2	2 348 790	**2 752 217**	403 427	17.2
Net trading income	3	191 398	**298 213**	106 815	55.8
Other ordinary results	4	39 882	**73 104**	33 222	83.3
Operating income	8	2 837 904	**3 446 455**	608 551	21.4
Personnel expenses	5	1 222 515	**1 429 362**	206 847	16.9
General expenses	6	469 034	**552 437**	83 403	17.8
Depreciation of property and equipment	13	28 898	**28 602**	-296	-1.0
Amortisation of customer relationships	13	174 700	**175 797**	1 097	0.6
Amortisation of other intangible assets	13	16 531	**15 255**	-1 276	-7.7
Operating expenses		1 911 678	**2 201 453**	289 775	15.2
Profit before taxes	8	926 226	**1 245 002**	318 776	34.4
Income taxes	7	253 815	**305 181**	51 366	20.2
Net profit	8	672 411	**939 821**	267 410	39.8
Attributable to:					
Shareholders of Julius Baer Holding Ltd.		672 411	**939 821**	267 410	39.8
Minority interests		-	**-**	-	-
		672 411	**939 821**	267 410	39.8

	Note	2006 CHF	**2007** CHF	Change CHF	Change %
Share information					
Basic net profit per registered share	9	3.04	**4.36**	1.32	43.4
Diluted net profit per registered share	9	3.00	**4.23**	1.23	41.1

Consolidated balance sheet

	Note	31.12.2006 CHF 1000	**31.12.2007** CHF 1000	Change CHF 1000	Change %
Assets					
Cash		220 885	**162 542**	-58 343	-26.4
Due from banks	10	10 037 630	**12 086 676**	2 049 046	20.4
Loans	10	6 918 199	**12 160 212**	5 242 013	75.8
Trading assets	11	2 418 071	**2 644 874**	226 803	9.4
Derivative financial instruments	27	1 659 344	**3 581 732**	1 922 388	115.9
Financial investments	12	8 833 065	**10 389 265**	1 556 200	17.6
Investments in associates		996	**1 095**	99	9.9
Property and equipment	13	355 156	**355 589**	433	0.1
Goodwill and other intangible assets	13	4 818 958	**4 704 359**	-114 599	-2.4
Accrued income and prepaid expenses		523 783	**616 180**	92 397	17.6
Deferred tax assets	19	64 389	**102 756**	38 367	59.6
Other assets		142 473	**127 753**	-14 720	-10.3
Total assets		35 992 949	**46 933 033**	10 940 084	30.4

	Note	31.12.2006 CHF 1000	**31.12.2007** CHF 1000	Change CHF 1000	Change %
Liabilities and equity					
Due to banks		4 724 025	**5 475 463**	751 438	15.9
Due to customers		16 948 303	**24 445 194**	7 496 891	44.2
Trading liabilities	11	606 647	**470 856**	-135 791	-22.4
Derivative financial instruments	27	1 665 320	**3 664 525**	1 999 205	120.0
Financial liabilities designated at fair value	17	3 378 042	**4 096 810**	718 768	21.3
Debt issued	18	506 433	**410 279**	-96 154	-19.0
Accrued expenses and deferred income		861 984	**1 232 280**	370 296	43.0
Current tax liabilities		137 038	**171 071**	34 033	24.8
Deferred tax liabilities	19	83 430	**82 899**	-531	-0.6
Provisions	20	97 535	**64 989**	-32 546	-33.4
Other liabilities		120 244	**389 609**	269 365	224.0
Total liabilities		29 129 001	**40 503 975**	11 374 974	39.1
Share capital	22	11 163	**11 163**	-	-
Capital reserves		4 930 905	**4 930 905**	-	-
Retained earnings		1 961 509	**2 810 198**	848 689	43.3
Other reserves		36 309	**-46 771**	-83 080	-228.8
Less treasury shares		-76 083	**-1 276 582**	-1 200 499	-1 577.9
Equity attributable to shareholders of Julius Baer Holding Ltd.		6 863 803	**6 428 913**	-434 890	-6.3
Minority interests		145	**145**	-	-
Total equity		6 863 948	**6 429 058**	-434 890	-6.3
Total liabilities and equity		35 992 949	**46 933 033**	10 940 084	30.4

Consolidated statement of changes in equity

	2005 *CHF 1000*	2006 *CHF 1000*	**2007** *CHF 1000*
Share capital[1]			
Balance at the beginning of the year	5 384	11 163	**11 163**
Capital increase	5 779	-	**-**
Balance at the end of the year	11 163	11 163	**11 163**
Capital reserves[2]			
Balance at the beginning of the year	282 628	4 931 242	**4 930 905**
Capital increase	4 648 614	-337	**-**
Balance at the end of the year	4 931 242	4 930 905	**4 930 905**
Retained earnings			
Balance at the beginning of the year	1 328 448	1 325 278	**1 961 509**
Julius Baer Holding Ltd. dividend	-80 419	-111 628	**-111 628**
Capital reduction	-64 909	-	**-**
Treasury shares and own equity derivative activity	-3 988	75 448	**20 496**
Net profit attributable to shareholders of Julius Baer Holding Ltd.	146 146	672 411	**939 821** [3]
Balance at the end of the year	1 325 278	1 961 509	**2 810 198**
Other reserves			
Available-for-sale investments, net of taxes			
Balance at the beginning of the year	8 415	8 996	**18 084**
Unrealised gains/(losses)	6 571	11 777	**-31 814** [3]
Realised (gains)/losses reclassified to the income statement	-5 990	-2 689	**-18 631** [3]
Subtotal	8 996	18 084	**-32 361**
Hedging reserve for cash flow hedges, net of taxes			
Balance at the beginning of the year	141	-2 298	**-371**
Unrealised gains/(losses)	-2 439	1 927	**755** [3]
Subtotal	-2 298	-371	**384**
Translation differences			
Balance at the beginning of the year	-14 365	13 520	**18 596**
Changes	27 885	5 076	**-32 506** [3]
Realised (gains)/losses reclassified to the income statement	-	-	**-884** [3]
Subtotal	13 520	18 596	**-14 794**
Balance at the end of the year	20 218	36 309	**-46 771**

Treasury shares	2005 CHF 1000	2006 CHF 1000	**2007** CHF 1000
Balance at the beginning of the year	-88 784	-80 769	**-76 083**
Capital reduction/capital increase	59 130	-	**-**
Change in treasury shares	-51 115	4 686	**-1 200 499**
Balance at the end of the year	-80 769	-76 083 [4]	**-1 276 582**
Equity attributable to shareholders of Julius Baer Holding Ltd.	6 207 132	6 863 803	**6 428 913**
Minority interests			
Balance at the beginning of the year	16 843	145	**145**
Disposals	-15 363	-	**-**
Minority interests in net profit	-1 335	-	**-**
Balance at the end of the year	145	145	**145**
Total equity	6 207 277	6 863 948	**6 429 058**

[1] See Note 22

[2] The capital reserves represent the additional proceeds (premium) received from the issue of shares by Julius Baer Holding Ltd. and from the exercise of conversion rights and warrants on Julius Baer Holding Ltd.
The reduction of the capital reserves in 2006 relates to a residual tax expense for the capital increase in 2005.

[3] Total recognised income and expenses (including net profit) amount to CHF 856.7 million.
Total gains and losses recognised directly in equity amount to CHF -83.1 million.

[4] The balance on 31 December 2006 consists solely of shares for share-based payments (see Note 32).

Consolidated statement of cash flows

	2006 *CHF 1000*	**2007** *CHF 1000*
Net profit	672 411	**939 821**
Adjustments to reconcile net profit to cash flow from/(used in) operating activities:		
Non-cash items included in net profit and other adjustments:		
- Depreciation of property and equipment	28 898	**28 602**
- Amortisation of goodwill and other intangible assets	191 231	**191 052**
- Allowance for credit losses	4 536	**3 202**
- Income from investment in associates	-152	**-189**
- Deferred tax expense/(benefit)	-22 333	**-40 830**
- Other non-cash income and expenses	67 395	**54 838**
Net (increase)/decrease in operating assets:		
- Net due from/to banks	475 469	**-444 984**
- Trading portfolios and derivative financial instruments	-1 104 867	**-285 022**
- Loans/due to customers	1 401 502	**2 252 807**
- Accrued income, prepaid expenses and other assets	-56 261	**-80 018**
Net increase/(decrease) in operating liabilities:		
- Accrued expenses, deferred income and other liabilities	-55 228	**587 042**
Adjustment for income tax expenses	276 148	**346 011**
Income taxes paid	-261 368	**-312 466**
Cash flow from operating activities after taxes	1 617 381	**3 239 866**
Dividend of associates	83	**90**
Purchase of property and equipment and intangible assets	-76 087	**-89 641**
Disposal of property and equipment and intangible assets	4 229	**1 660**
Net (investment in)/divestment of financial investments	-244 840	**-56 573**
Acquisition of subsidiaries, net of cash acquired	-	**-7 542**
Cash flow from investing activities	-316 615	**-152 006**
Net money market paper issued/(repaid)	-1 790	**28 335**
Net movements in treasury shares and own equity derivative activity	12 739	**-1 230 029**
Dividend payments	-111 628	**-111 628**
Capital increase	-337	**-**
Issuance of long-term debt, including financial liabilities designated at fair value	1 526 527	**718 768**
Repayment of long-term debt, including financial liabilities designated at fair value	-5 245	**-124 489**
Cash flow from financing activities	1 420 266	**-719 043**
Total	2 721 032	**2 368 817**
Cash and cash equivalents at beginning of the year	7 663 944	**10 372 171**
Cash flow from operating activities after taxes	1 617 381	**3 239 866**
Cash flow from investing activities	-316 615	**-152 006**
Cash flow from financing activities	1 420 266	**-719 043**
Effects of exchange rate changes	-12 805	**-21 919**
Cash and cash equivalents at end of the year	10 372 171	**12 719 069**

Cash and cash equivalents are structured as follows:

	31.12.2006 *CHF 1000*	**31.12.2007** *CHF 1000*
Cash	220 885	**162 542**
Money market instruments	4 090 399	**5 644 138**
Due from banks (original maturity of less than three months)	6 060 887	**6 912 389**
Total	10 372 171	**12 719 069**

Certain reclassifications have been made to conform to the current year's presentation.

Summary of significant accounting policies

Basis of accounting

Julius Baer Holding Ltd. is a Swiss corporation. The consolidated financial statements as of 31 December 2007 comprise those of Julius Baer Holding Ltd. and all its subsidiaries (the Group). The Board of Directors approved these financial statements on 6 February 2008. In addition, they must be approved by the Annual General Meeting on 15 April 2008.

Amounts in the annual financial statements are stated in Swiss francs. The consolidated financial statements were prepared in compliance with the International Financial Reporting Standards (IFRS). Generally, the historical cost principle was applied, with the exception of the trading portfolios, derivative financial instruments and available-for-sale financial investments, as well as certain financial liabilities, which are measured at fair value.

Use of estimates in preparing the consolidated financial statements

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Actual results in future periods could differ from such estimates.

Estimates and assumptions are used mainly in the following areas of the consolidated financial statements and are discussed in the corresponding notes: determining fair values of financial instruments, provisions and valuation allowances, pension liabilities, share-based payments, goodwill and other intangible assets.

Consolidation policies

Subsidiaries
Companies in which Julius Baer Holding Ltd. directly or indirectly owns a majority of the voting stock or in which it exercises control in some other way are fully consolidated. A complete list of these companies is provided in Note 30. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control is transferred to the Group until the date that control ceases.

Associates
Companies in which Julius Baer Holding Ltd. holds between 20% and 50% of the voting stock and/or in which it has the ability to exercise significant influence are reported in the consolidated financial statements using the equity method. These companies are initially recorded at cost as of the date of acquisition. Subsequently, the carrying amount is increased or decreased to recognise the Group's share of the associate's profits or losses.

Intercompany transactions
The effects of all intercompany transactions and balances have been eliminated on consolidation.

Currency translation
The Group companies prepare their financial statements in the respective functional currency. The balance sheets of Group companies that are denominated in foreign currencies are translated into Swiss francs at the closing exchange rates on the balance sheet date. Average exchange rates for the year are used for the income statements. Exchange differences arising from consolidation using closing and average exchange rates for the year are shown as accumulated translation differences in equity.

In the individual financial statements of the Group companies, income and expenses denominated in foreign currencies are translated at the exchange rate on the date of the respective transaction. Assets and liabilities are translated at the closing exchange rate on the balance sheet date. The resulting gains and losses on monetary assets and liabilities are recognised in the income statement as foreign exchange gains/losses. Unrealised exchange differences on available-for-sale equity securities are a component of the change in their entire fair value and are recognised in equity as well.

The following exchange rates are used for the major currencies:

	Year-end rates		Average exchange rates for the year	
	31.12.2006	31.12.2007	2006	2007
USD/CHF	1.2207	1.1321	1.2470	1.1955
EUR/CHF	1.6097	1.6553	1.5765	1.6465
GBP/CHF	2.3891	2.2537	2.3120	2.3975
JPY/CHF	1.0244	1.0134	–	–

Accounting policies and valuation principles

All Group companies apply the same accounting and valuation principles, which remained the same as in the previous year, except as outlined at the end of this note.

Reporting of transactions
All completed transactions are recognised and measured in the balance sheet. Money market transactions are posted to the balance sheet on settlement date. Spot foreign exchange and securities transactions and securities underwriting transactions are posted to the balance sheet on trade date. According to IAS 39, all financial instruments shall be assigned to one of the four categories (“loans and receivables”, “held-to-maturity investments”, “financial assets and financial liabilities at fair value through profit or loss”, and “available-for-sale financial assets”) and uniformly recognised within these categories on the settlement date or the trade date. The divergent recognition of transactions does not have a significant effect on the balance sheet reporting.

Income recognition
Income from services is recorded at the time the service is performed, i.e. upon execution of a transaction or in the corresponding periods over the life of a contract. Income and income components that are based on performance are recorded at the time in which all performance criteria are fulfilled.

Cash
Cash includes notes and coins on hand, as well as balances held with central banks.

Due from banks and loans
Amounts due from banks and loans are initially recognised at fair value, which is the cash given to originate the receivable or loan, plus any attributable transaction costs. Subsequently, these receivables and loans are measured at their amortised cost using the effective interest method.

Loans and amounts due from banks for which it is probable that, based on current information and events, the Group will be unable to collect the whole amounts due according to the original contractual terms of the loan agreement, are valued on an individual basis, and specific valuation allowances are established for impaired amounts, if necessary. Related collaterals are also included in the evaluation.

Loans are classified as non-performing no later than when the contractual payments of capital and/or interest are more than 90 days past due. Furthermore, there is no firm evidence that such loans will improve by later payments or the liquidation of collateral, or insolvency proceedings have commenced, or loans have been restructured on concessionary terms. Interest that is more than 90 days past due is considered overdue.

Impairment is measured and valuation allowances are established for the difference between the carrying amount of the loan and its estimated recoverable amount, taking into account the counterparty risk and the net proceeds from the possible liquidation of any collateral. The recoverable amount equals the present value of estimated future cash flows discounted at the loan's original effective interest rate. The allowance is recognised through the income statement.

A write-off is made against the established specific valuation allowance when all or part of a loan is deemed uncollectible or forgiven. Recoveries of amounts that were previously written off are credited directly to the income statement.

In addition to the specific valuation allowances, valuation allowances are established to account for inherent credit risks collectively, i.e. on a portfolio basis. These valuation allowances are calculated on the basis of prudently estimated default rates for each portfolio, which are based on internal credit ratings and are used for classifying the loans.

In the balance sheet, the valuation allowances are offset against the corresponding loans.

Impaired loans are rated as fully recoverable if the creditworthiness has improved such that there is a reasonable assurance of timely collection of principal and interest according to the original contractual terms.

Securities lending and borrowing transactions
Securities borrowed as well as securities received by the Group as collateral under securities lending transactions are only recorded in the balance sheet if the Group obtains control of the contractual rights (risks and rewards of ownership) associated with these securities. Similarly, securities lent as well as securities provided by the Group as collateral under securities borrowing transactions are only derecognised from the balance sheet if the Group relinquishes control of the contractual rights associated with these securities. Securities lent and securities provided as collateral that remain in the balance sheet are remeasured according to the respective position they are recorded in. The fair values of securities received or provided are monitored daily in order to provide or request additional collateral in accordance with the underlying agreements.

If securities are transferred in a securities lending or borrowing transaction, cash collateral received is recognised as an obligation, and cash collateral provided is recognised as a receivable.

Fees received or paid in connection with securities lending and borrowing transactions are recorded as commission income or commission expenses according to the accrual method.

Repurchase and reverse repurchase transactions
Reverse repurchase transactions and repurchase transactions are considered secured financing transactions and are recorded at the value of the cash collateral provided or received.

Securities received and securities delivered are only recorded in the balance sheet or derecognised from the balance sheet if control of the contractual rights (risks and rewards of ownership) associated with these securities is relinquished as well. The fair values of the securities received or delivered are monitored daily in order to provide or request additional collateral in accordance with the underlying agreements.

Interest income from reverse repurchase transactions and interest expenses from repurchase transactions are accrued in the corresponding periods over the life of the underlying transactions in the respective interest positions.

Trading assets/liabilities
All trading positions are recognised at fair value. Realised gains and losses on disposal or redemption and unrealised gains and losses from changes in the

fair value are recognised in the results from trading operations.

Interest and dividend income and interest expense from trading positions are included in net interest income.

Derivative financial instruments and hedging
Derivative financial instruments, including foreign exchange products, interest rate futures, forward rate agreements, currency and interest rate swaps, currency and interest rate options (written options as well as purchased options), are recognised at fair value. In order to calculate the fair value, corresponding stock exchange prices, discounted cash flow models and options pricing models are employed. Derivatives are reported as an asset position if their fair value is positive and as a liability position if their fair value is negative. Changes in fair value on trading positions are recognised in the results from trading operations.

The Group uses derivative financial instruments for hedging the cash flows (cash flow hedges) or fair values (fair value hedges) of forecast transactions. Derivatives categorised as serving such purposes on their settlement date are treated as hedging instruments in the financial statements if they fulfil the following criteria:

a) Existence of documentation that specifies the underlying transaction (balance sheet item or cash flow), the hedging instrument as well as the hedging strategy/relationship;

b) Effective and reliably measurable elimination of the hedged risks through the hedging transaction during the entire reporting period;

c) Sustained high effectiveness of the hedging transaction. A hedge is regarded as highly effective if actual results are within a range of 80% to 125%; and

d) High probability of the underlying forecast transaction (cash flow hedges).

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges are reported under the item hedging reserve in equity. If the probable forecast transaction results in the recognition of a non-financial asset or non-financial liability, any gain or loss on the hedging instrument that was previously recognised directly in equity is removed from equity and is included in the initial cost of the acquired non-financial asset or liability. If a hedge of a probable forecast transaction results in the recognition of a financial asset or financial liability, any gain or loss on the hedging instrument that was previously recognised directly in equity is reclassified into profit or loss in the same period in which the financial asset or liability affects profit or loss. If the hedged forecast transaction results in direct recognition through profit or loss, any related cumulative gain or loss previously recognised in equity is recognised in profit or loss in the same period in which the hedged forecast transaction affects profit or loss.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are reported in the income statement. The changes in the fair value of the hedged item that are attributable to the risk hedged with the derivative are reflected in an adjustment to the carrying value of the hedged item and are also recognised in the income statement.

Certain derivative transactions represent financial hedging transactions and are in line with the risk management principles of the Group. However, in view of the strict and specific guidelines of IFRS, they do not fulfil the criteria to be treated as hedging transactions for accounting purposes. They are therefore reported as trading positions. Changes in fair value are recorded directly in the income statement in the corresponding period.

Financial investments
Security positions, including money market instruments, which are not held for trading purposes are reported in the following categories:

1. Debt securities categorised as "held-to-maturity" are initially recorded at fair value, including directly attributable transaction costs, and subsequently stated at amortised cost in the balance sheet, using the effective interest rate method to amortise the premiums or discounts through the maturity date of the securities. When impairment occurs, the corresponding reduction in the carrying amount to the recoverable amount is recognised in the income statement.

2. Available-for-sale debt and equity securities are recognised at fair value. Unrealised gains and losses are reported in equity under the item available-for-sale financial investments, net of taxes, until the financial asset is sold, or an impairment loss is recognised, at which point the cumulative gain or loss previously recorded in equity is recognised in the income statement under the item other ordinary results.

Equity instruments are deemed impaired if there has been a significant or prolonged decline of fair value below the initial cost. A debt instrument is deemed impaired if the creditworthiness of the issuer significantly deteriorates or if there are other indications that an event has a negative impact on the future estimated cash flows related to the security, i.e. if it is likely that the amount due according to the contractual terms cannot be entirely collected.

Interest on debt securities is accrued using the effective interest method and, together with dividend income on equity securities, recognised in the item net interest income.

Property and equipment
Property and equipment includes bank premises, IT, communication systems, leasehold improvements as well as other installations and business equipment. They are carried at cost less accumulated depreciation and impairment losses. Items of property and equipment are depreciated over their estimated useful lives using the straight-line method.

Bank premises are depreciated over a period of 66 years. Leasehold improvements are depreciated over the shorter of the residual lease term or useful life. Business equipment is depreciated over a period not exceeding ten years, IT hardware over three years and other items of property and equipment over five years.

Leasehold improvements are investments made to customise buildings and offices occupied under operating lease contracts to make them suitable for the intended purpose. If a leased property must be returned to its original condition at the end of the lease term, the present value of the estimated reinstatement costs is capitalised as part of the total leasehold improvement costs. At the same time, a provision for reinstatement costs is recognised to reflect the obligation incurred. The reinstatement costs are recognised in the income statement through depreciation of the capitalised leasehold improvements over their useful life.

Subsequent expenditure on an item of property and equipment is recognised in the carrying value of the item if it is probable that the Group will profit from the future economic benefits of the investment. Current maintenance and servicing costs are expensed through the income statement.

On each balance sheet date, the items of property and equipment are reviewed for indications of impairment. If such indications exist, it is determined whether the carrying amount of the item is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount.

Leasing
Under operating leasing, leased assets are not recognised on the balance sheet, as the rights and responsibilities of ownership remain with the lessor. Lease payments for operating leases are recognised through the item general expenses in the income statement over the lease term on a straight-line basis.

Intangible assets
Intangible assets are classified into the following categories:

Goodwill: The assets, liabilities and contingent liabilities of acquired subsidiaries are revalued at the acquisition date. The resulting fair value of the identifiable assets, liabilities and contingent liabilities is set off against the purchase price paid, and any resulting difference is recognised in the balance sheet as goodwill. Goodwill is not amortised; it is tested for impairment annually at the cash-generating-unit level and a write-off is made if the recoverable amount is less than its carrying amount.

Customer relationships: This position comprises long-term customer relationship intangibles from recent business combinations. Customer relationships are amortised over their estimated useful life not exceeding ten years using the straight-line method.

Brand: The Group considers the capitalised brand to have an indefinite useful life. It is therefore not amortised, but tested for impairment and confirmation of its indefinite status on an annual basis.

Software: The Group capitalises costs relating to the acquisition, installation and development of software if it is probable that the future economic benefits that are attributable to the asset will flow to the Group and that the costs of the asset can be identified and measured reliably. The capitalised software is amortised using the straight-line method over its useful life, usually not exceeding three to five years.

On each balance sheet date, the intangible assets with a finite life are reviewed for indications of impairment. If such indications exist, it is determined whether the carrying amount of the intangible assets is fully recoverable and a write-down is made if the carrying amount exceeds the recoverable amount.

Liabilities
Liabilities are initially recognised at fair value less directly attributable transaction costs and subsequently reported at amortised cost. Interest and discounts are debited to interest expenses on an accrual basis, using the effective interest method.

Financial liabilities designated at fair value
The Group measures its issued financial instruments, i.e. its structured products containing a debt instrument and an embedded derivative, at fair value, with changes in fair value recognised through the results from trading operations, thus eliminating the requirement to account for the embedded derivative and its host contract separately.

Debt issued
Issued bonds are initially recorded at the fair value of the consideration received, net of directly attributable transaction costs. They are subsequently reported in the balance sheet at amortised cost using the effective interest method.

Own bonds that the Group holds as a result of market-making activities or for resale in the near term are treated as redemption and therefore extinguished.

Provisions
A provision is recognised if, as a result of a past event, the Group has a legal or constructive obligation existing on the balance sheet date that will probably lead to an outflow of resources and whose

amount can be reliably estimated. If an outflow of resources is not likely or the amount of the liability cannot be reliably estimated, a contingent liability is disclosed in the off-balance-sheet transactions. If, as a result of a past event, there is a possible liability on the balance sheet date whose existence depends on future developments that are not fully under the control of the Group, a contingent liability is likewise disclosed. The recognition and release of provisions are recorded in the income statement through general expenses.

Restructuring provisions in the event of sale or termination of a line of business, closure or relocation of business locations, changes in management structure or another fundamental reorganisation are recognised if a constructive obligation is incurred and a detailed and formal plan exists, identifying at least:

- affected line of business
- main affected business locations
- location, function and approximate number of affected employees
- arising expenditures
- time of implementation

In addition, the implementation must have begun or the announcement of the main features to the employees affected must have taken place before the balance sheet date.

Restructuring provisions include only necessary direct expenditures caused by the restructuring, not costs associated with the ongoing business activities.

Income taxes
Current income taxes are calculated on the basis of the applicable tax laws of the respective countries and are recognised as expense in the financial year in which the related taxable income arises. Liabilities related to current taxes are recognised in the balance sheet as current tax liabilities.

Deferred tax assets and deferred tax liabilities are taken into account using the balance sheet liability method for the expected future tax consequences of all temporary differences (timing differences) between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding tax values.

Deferred tax assets arising from temporary differences and from loss carryforwards eligible for offset are capitalised if it is likely that sufficient taxable profits will be available against which those differences or loss carryforwards can be offset.

Deferred tax assets and deferred tax liabilities are calculated at tax rates expected to apply in the period in which the tax assets will be realised, or the tax liabilities settled, based on the rates that have been enacted at the reporting date. Current tax assets and tax liabilities are offset against each other when they refer to the same taxable entity, concern the same tax authority, and an enforceable right to offset exists. The same rule applies to deferred tax assets and liabilities.

Current and deferred taxes are credited or charged directly to equity if the taxes refer to items that are credited or charged directly to equity.

Pension liabilities
The Group maintains various defined contribution and defined benefit pension plans in Switzerland and abroad. The pension plans in Switzerland have been set up on the basis of the Swiss method of defined contributions but do not fulfil all the criteria of a defined contribution pension plan according to IAS 19. For this reason, the Swiss pension plans are treated as defined benefit pension plans.

The pension obligations are largely covered through pension plan assets of pension funds that are legally separated and independent from the Group. These are managed by a board of trustees consisting of representatives of the employees and the employer. The organisation, management and financing of the pension plans comply with the legal requirements, the foundation charters and the applicable pension regulations. Employees and pensioners or their survivors receive statutorily determined benefits upon leaving the company or retiring as well as in the event of death or invalidity. These benefits are financed through employer and employee contributions.

In the case of defined benefit pension plans, the pension expenses and obligations are valued according to the projected unit credit method. The corresponding calculations are carried out by independent qualified actuaries, every other year.

The pension expenses recorded in the income statement for the defined benefit pension plans correspond to the actuarially determined expenses minus the employee contributions and are charged as personnel expenses.

Actuarial gains and losses in excess of 10% of the greater of the present value of the plan obligation or the fair value of plan assets are systematically amortised through the income statement over the expected average remaining service lives of employees participating in the plan.

In the case of defined contribution pension plans, the contributions are expensed when the employees render the corresponding service to the Group, which normally occurs in the same year in which the contributions are paid.

Surpluses are only capitalised if they are available to the Group as future contribution repayments or reductions.

Share-based payments
The Group maintains various share-based participation plans in the form of share or share option plans for its employees. When such payments are made to employees, the fair value of these payments at the grant date serves as the basis for calculating the personnel expenses. Share-based payments that are not subject to any further conditions are expensed immediately at the grant date. Share-based payments that are subject to the completion of a service period are expensed over the respective service period.

Participation plans based on own equity instruments (shares or options) result in a corresponding increase in equity at the grant date and are not subsequently adjusted for changes in fair value. Participation plans that are settled by the payment of cash are recognised as a liability and are adjusted for changes in fair value of the underlying equity instruments until final settlement through the income statement.

Share capital
The share capital comprises all issued, fully paid registered shares of Julius Baer Holding Ltd.

Treasury shares and contracts on treasury shares
Shares of Julius Baer Holding Ltd. held by the Group are classified in equity as treasury shares and accounted for at weighted average cost. The difference between the proceeds from sales of treasury shares and their cost (net of taxes, if any) is recognised in retained earnings.

Contracts on shares of Julius Baer Holding Ltd. that require settlement in a fixed number of shares for a fixed amount are recognised in retained earnings in equity. Upon settlement of such contracts, the proceeds received (net of costs and any taxes) are also recognised under the item retained earnings in equity.

Earnings per share
Basic consolidated earnings per share is calculated by dividing the net profit for the reporting period attributable to shareholders of Julius Baer Holding

Ltd. by the weighted average number of shares outstanding during the period.

Diluted consolidated earnings per share is calculated using the same method as for basic consolidated earnings per share, with the determinants adjusted to reflect the potential dilution that could occur if outstanding options, warrants, convertible debt securities or other contracts to issue shares were converted or exercised into shares.

Segment/division reporting
Since 15 November 2007, the Group comprises the two segments Bank Julius Baer and Asset Management. Furthermore, Bank Julius Baer consists of the two divisions Private Banking and Investment Products. In addition, Group Functions is responsible for the typical corporate functions, such as corporate governance, finance and control functions. Direct income and expenses are assigned to the segments/divisions based on the principle of accountability. Assets, liabilities, income and expenses that are not directly connected with the segments/divisions are attributed to Group Functions. Indirect costs for internal service relationships between the segments/divisions are carried out at internal transfer prices, which are based on effective costs, and are recorded as a cost reduction for the service provider and as a cost increase for the service beneficiary.

Changes in accounting policies and comparability

The Group applied the following new and revised accounting standards for the first time in 2007:

IFRS 7 – Financial Instruments: Disclosures
This new standard replaces the existing standards IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and IAS 32, Financial Instruments: Disclosure and Presentation. The objective of the new disclosure requirements is to convey relevant decision-making information about the amount, timing and probability of future cash flows resulting from financial instruments. The new standard had no impact on recognition and measurement of financial instruments and therefore no effect on net profit or equity of the Group.

IAS 1 (revised) – Capital Disclosures
This revised standard requires additional disclosures regarding the Group's objectives, policies and processes for managing capital. This amendment had no impact on net profit or equity of the Group.

IFRIC 8 – Scope of IFRS 2
This interpretation requires the application of IFRS 2, Share-based Payment, also to arrangements where an entity makes share-based payments in which the services received cannot be specifically identified. This new interpretation had no impact on the Group's consolidated financial statements.

IFRIC 9 – Reassessment of Embedded Derivatives
This interpretation requires that a reassessment of whether an embedded derivative should be separated from the underlying host contract should be made only when there are changes to the contract. This new interpretation had no impact on the Group's consolidated financial statements.

IFRIC 10 – Interim Financial Reporting and Impairment
This interpretation prohibits the reversal of an impairment loss on goodwill and equity instruments recognised in a previous interim period, even if the value has recovered in the meantime. This new interpretation had no impact on the Group's consolidated financial statements.

New standards and interpretations not yet adopted

Certain new standards, revisions and interpretations of existing standards were published that must be applied in future financial years. The Group chooses, apart from certain exceptions as outlined below, not to adopt these in advance. These changes are not expected to have any significant impact on the Group's consolidated financial statements.

The following standards, revisions and interpretations will be relevant to the Group:

IAS 1 – Presentation of Financial Statements
This revised standard affects the presentation of owner changes in equity and of comprehensive income. It does not change the recognition, measurement or disclosure of specific transactions and other events required by other IFRSs. The revised standard will be applicable as of 1 January 2009.

IFRS 2 – Share-based payment: Vesting Conditions and Cancellations
This revised standard amends the definition of service conditions and performance conditions in share-based payment arrangements. In addition, it adds guidance regarding taking into account vesting and non-vesting conditions in determining the fair value of equity instruments granted. Finally, it also provides explicit guidance regarding the cancellation of share-based payment arrangements. The revised standard will be applicable as of 1 January 2009. The Group is currently assessing the impact of the revised standard on its financial statements.

IFRS 3 – Business Combination; and *IAS 27 – Consolidated and Separate Financial Statements*
The revised standards improve the relevance, reliability and comparability of the information provided in the Group's financial statements about business combinations and their effects, as well as the information that a parent provides in its separate financial statements and in its consolidated financial statements for a group of entities under its control. The main changes to the previous standards include the greater use of fair value, the focusing on changes in control as a significant economic event, or greater emphasis on what is given to the vendor as consideration rather than what is spent to achieve the acquisition. The Group is currently assessing the impact of the revised standards on its financial statements. The revised standards will be applicable as of 1 July 2009.

IFRS 8 – Operating Segments
This new standard replaces the existing requirements of IAS 14 – Segment Reporting. The new standard governs the disclosure of information on the level of business segments regarding the manner and the financial impact of the business operations, as well as information about the economic environment in which the entity operates. The new standard will be applicable as of 1 January 2009.

IFRIC 11 – Group and Treasury Share Transactions
This interpretation provides accounting guidance related to certain share-based payment transactions which were not specifically provided for in IFRS 2, Share-based Payment. This includes transactions where a subsidiary grants rights to shares of its parent to its employees, or where the parent grants rights to its shares directly to the employees of its subsidiary. The new interpretation is effective for business years starting on or after 1 March 2007. The Group will adopt this interpretation for the financial year beginning on 1 January 2008. The new interpretation will not have an impact on the Group's financial statements.

IFRIC 14 – IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interactions
This interpretation provides guidance on assessing the limit in IAS 19 on the amount of surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group will apply IFRIC 14 for the financial year beginning 1 January 2008. The impact of the new interpretation on the Group's financial statements has not yet been assessed.

Comment on risk management

1. Risk management framework and process

Risk is defined as a deviation from an expected outcome. Risk management is a business enabler and therefore a key focus of the management process of the Julius Baer Group (Group). The Group is exposed to various risks:

- Strategic and business risk
- Credit risk
- Market risk (trading book)
- Liquidity and financing risk (including market risk banking book)
- Operational risk (including legal, compliance and personnel risk)
- Reputational risk

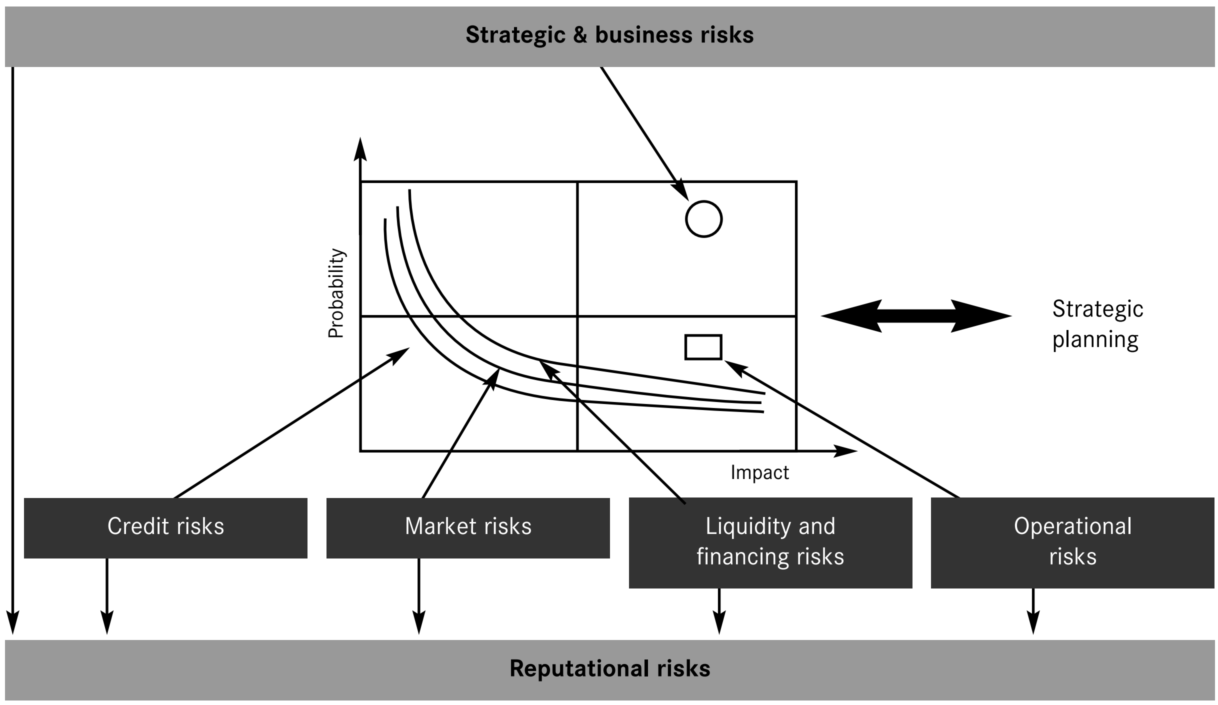
The Board of Directors of Julius Baer Holding Ltd. defines and regularly reviews appropriate risk policies to ensure effective management of the risks of the Group and to ensure suitable processes and instruments. The overall responsibility for the implementation of the Group's risk management lies with the relevant member of the Executive Board of Julius Baer Holding Ltd., the Group Chief Risk Officer (CRO). He is responsible for the controlling of credit risk, market risk (trading book), liquidity and financing risk (banking book) and of operational risk (excluding legal and compliance risk). He coordinates his activities with the Group General Counsel, who as a member of the Executive Board of Julius Baer Holding Ltd. is responsible for the controlling of legal and compliance risk.

They establish appropriate risk guidelines and policies, coordinate and contribute directly to the risk management of the business areas and ensure independent risk controlling. The main responsibility for risk management, however, lies with the business areas. All risks are mapped to a "risk landscape" featuring the probability of occurrence and the potential impact and are managed by the business areas. The risk landscape is also used for the yearly strategic planning process by the business areas, the Executive Board and the Board of Directors of Julius Baer Holding Ltd.

2. Strategic and business risk

Strategic and business risks are managed and controlled by the business areas, the Executive Board and the Board of Directors of Julius Baer Holding Ltd. Following the principles of value- and risk-oriented management and controlling, an annual strategic check-up is carried out to determine the necessary strategic and structural projects and adjustments. After the analysis of the mid-term financial and risk-relevant implications, implementation is then initiated through a rolling 3-year planning cycle, and then in the annual budgets accordingly.

This process provides the basis for active and efficient financial, capital and risk management. The various controlling processes and tools – such as monthly comparison of the actual results with the budget or rolling forecasts – allow an analysis of the sensitivity of the Group's earnings to various scenarios.



3. Credit risk

Credit or counterparty risk is the risk of non-compliance with an obligation a counterparty owes to the Group. Such non-compliance may result in a loss to the Group. The Group primarily assumes credit risk with private clients on a collateralised basis. Such credit risk may also be composed of lending and derivatives exposure from trading activities in foreign exchange, equity, interest rate and commodity products. Portfolios are analysed and rated individually by the Credit Supervision System, and an advanceable value (exposure limit) is assigned based on the quality of the collateral. Limit and exposure supervision is effected on a daily basis.

The Group offers a wide range of trading instruments and deals with banks, institutional clients and selected corporates on an unsecured basis. Individual risk limits and settlement limits are approved for each counterparty. Trading limits and exposures are controlled on a daily basis, and netting agreements and collateral agreements are used to limit exposures. Country limits are established to limit the potential exposure to any country or region. It is not a policy of the Group to engage in corporate lending activities except for collaterised lending to corporate structures linked to the core private banking business.

The credit department reports to the CRO.

The following tables show the credit risk by domicile and by type of counterparty. Loans to clients are generally granted in the form of lombard credits with broadly diversified collateral. The collateral is not taken into account in these tables.

Credit risk by counterparty domicile

						31.12.2007
	Switzerland	Europe	Americas	Asia/Pacific	Other	**Total**
	CHF m	*CHF m*	*CHF m*	*CHF m*	*CHF m*	*CHF m*
Due from banks	940	10 121	449	576	1	**12 087**
Loans	4 750	2 835	2 980	1 435	160	**12 160**
Financial investments	254	7 797	1 569	285	35	**9 940**
Derivative financial instruments	867	2 278	302	128	7	**3 582**
Total	6 811	23 031	5 300	2 424	203	**37 769**

						31.12.2006
	Switzerland	Europe	Americas	Asia/Pacific	Other	Total
	CHF m	*CHF m*	*CHF m*	*CHF m*	*CHF m*	*CHF m*
Due from banks	1 017	8 555	295	162	9	10 038
Loans	1 902	1 800	2 624	324	268	6 918
Financial investments	321	6 710	1 367	233	51	8 682
Derivative financial instruments	656	854	137	9	3	1 659
Total	3 896	17 919	4 423	728	331	27 297

Credit risk by counterparty sector

				31.12.2007
	Government and agencies	Financial institutions	Private clients	**Total**
	CHF m	*CHF m*	*CHF m*	*CHF m*
Due from banks	–	12 087	–	**12 087**
Loans	–	12	12 148	**12 160**
Financial investments	333	7 765	1 842	**9 940**
Derivative financial instruments	–	2 729	853	**3 582**
Total	333	22 593	14 843	**37 769**

				31.12.2006
	Government and agencies	Financial institutions	Private clients	Total
	CHF m	*CHF m*	*CHF m*	*CHF m*
Due from banks	–	10 038	–	10 038
Loans	–	420	6 498	6 918
Financial investments	412	6 412	1 858	8 682
Derivative financial instruments	–	1 021	638	1 659
Total	412	17 891	8 994	27 297

The following table provides an analysis of the Group's exposure to credit risk and contains data that is retrieved from the internal Credit Supervision System used for the calculation and monitoring of the Group's exposure to credit risk. Credit exposure is measured against the following two types of limits: a) Risk limits for unsecured credit exposures, which applies mainly to client types banks and brokers, but also includes certain corporate and institutional clients issuing debt securities; and b) Lombard limits for collateralised credit exposures, which relates mainly to private and corporate clients.

Credit exposure in the context of this analysis comprises primarily the following elements: Cash exposure (such as advances, account overdrafts, cash balances with correspondent banks, etc.), derivative exposure (replacement value plus add-on), and issuer risk from debt securities in the investment and treasury books of Group treasury. Not included in the credit exposure analysis are gross exposures from reverse repo and securities lending transactions, as such positions do not create credit exposure due to over-collateralisation on a netted basis, and intraday settlement exposure.

For the purpose of this analysis, cash balances across different accounts are netted against each other for clients with lombard limits. Derivative exposure across different products, accounts and counterparties are netted against each other if an ISDA master netting agreement has been signed (close-out netting).

Exposure to credit risk

	31.12.2006	**31.12.2007**	31.12.2006	**31.12.2007**
		Collateralised		**Unsecured**
	CHF m	*CHF m*	*CHF m*	*CHF m*
Exposure by credit quality				
Neither past due nor impaired	8 567.0	**12 717.6**	11 995.4	**14 296.1**
Past due but not impaired	0.5	**2.3**	-	**-**
Impaired	51.8	**54.8**	-	**-**
Balance sheet carrying amount	8 619.3	**12 774.7**	11 995.4	**14 296.1**
Neither past due nor impaired				
R1 to R3	6 672.8	**10 130.8**	11 656.4	**13 939.4**
R4 to R6 (including temporarily unrated)	1 894.1	**2 586.8**	338.9	**356.7**
Total	8 566.9	**12 717.6**	11 995.3	**14 296.1**
of which amounts under renegotiated terms	-	**-**	-	**-**
Past due but not impaired				
R7	1.9	**2.0**	-	**-**
Total	1.9	**2.0**	-	**-**
Collateral held or credit enhancement available:	*2.4*	***2.4***	-	**-**
Impaired				
R8	51.4	**54.5**	-	**-**
R9 to R10	0.4	**0.3**	-	**-**
Total	51.8	**54.8**	-	**-**
Collateral held or credit enhancement available:	*34.0*	***31.7***	-	**-**
Allowances				
Specific valuation allowances	18.5	**24.3**	-	**-**
Collective valuation allowances	12.4	**14.2**	2.0	**1.5**
Total	30.9	**38.5**	2.0	**1.5**

The internal credit ratings R1–R10 form the basis for calculating allowances for credit losses. Loans, receivables and other exposures are allocated to one of the ten rating classes. In the case of balances in rating classes R1–R6, the balances are being serviced, the advance rate of collateral is appropriate, and the repayment of the balance is not doubtful. For these exposures, no specific allowances for credit losses are established. Balances in rating class R7 are past due, but the exposure is still covered by collateral and allowances are only established for past due interests. For balances in rating class R8, specific allowances for credit losses are established provided that it is more likely than not that a loss could arise. The credit risks of rating classes R9 and R10 are very high, and specific allowances for credit losses are established for balances in these rating classes.

Details regarding the Group's maximum exposure to credit risk without taking account of any collateral held or other credit enhancements are disclosed in the following table:

Maximum exposure to credit risk

	31.12.2006 Gross maximum exposure *CHF 1000*	**31.12.2007** **Gross maximum exposure** *CHF 1000*
Cash (excluding cash on hand)	186 513	**121 404**
Due from banks	10 037 630	**12 086 676**
Loans	6 918 199	**12 160 212**
Trading assets	145 276	**92 248**
Derivative financial instruments	1 659 344	**3 581 732**
Financial investments – available-for-sale securities	8 547 743	**9 940 075**
Financial investments – held-to-maturity securities	134 350	**-**
Other assets	511 280	**612 878**
Total maximum exposure to credit risk	28 140 335	**38 595 225**

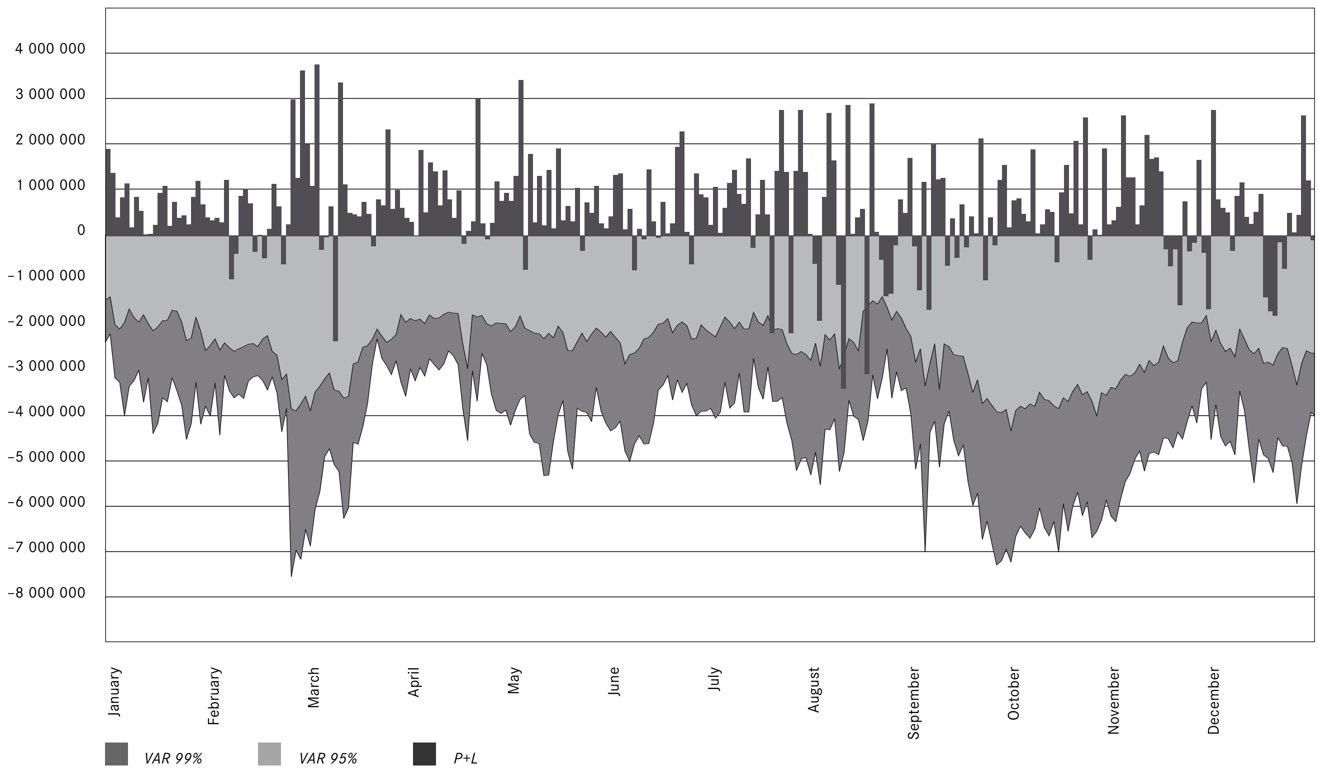
4. Market risk (trading book)

Market risk measures the potential loss to which the Group is exposed through changes in market prices in interest rate, equity, foreign exchange and commodity markets. Market risk management involves the identification, measurement, control and steering of the market risks assumed. The trading units enter into market risk positions within defined limits. The department Group Risk Management Market Risk is independent from trading and carries out a supervisory and guidance function in market risk management. This department also reports to the CRO.

Market risk measurement, market risk limitation, back testing and stress testing

The Group uses the following types of measurement and limitation of market risk: value at risk (VAR) limits, sensitivity or concentration limits (delta, vega, basis point and nominal limits as well as scenario analysis) and country limits for trading positions. The key risk figure, value at risk (VAR), measures the magnitude of the loss of a portfolio that, under normal circumstances and for a specific probability (confidence level), will not be exceeded during the observed holding period. The VAR of the Group amounted to CHF 2.4 million on 31 December 2007 (1-day holding period, 95% confidence level). The maximum VAR recorded in 2007 amounted to CHF 4.0 million; the minimum was CHF 1.4 million. The adequacy of the VAR calculation, which is based on historical market movements, is monitored through regular back testing. This involves the comparison of the daily gains and losses generated by the trading book with the VAR values calculated each day. The following chart shows the daily calculations

Back testing trading Julius Baer Group for 2007 (CHF)



of VAR in 2007 (at confidence levels of 95% and 99% and 1-day holding period) compared with the actual daily gains and losses generated by the trading operations of the Group.

Whereas VAR forecasts identify potential losses during normal market conditions, daily stress tests are carried out in order to estimate the consequences of extreme market swings.

VAR method and regulatory capital
For its VAR calculation, the Group uses historical simulation with complete revaluation of all trading positions in each instance. The historical simulation is based on empirically observed changes in market parameters (prices, yield curves, volatilities) over the latest 300-trading-day period. As a result, correlation is taken into account implicitly, without having to draw on calculations and assumptions based on a correlation matrix. The risk management platform and the internal market risk models of the Group fulfil the relevant regulatory requirements and have been approved by the Swiss Federal Banking Commission for use in determining the capital requirement for market risks in the trading book. The regulatory approval for our models relates to so-called general market risk as well as to issuer-specific risk.

The following table is a summary of the VaR positions of the Group's trading portfolios at 31 December and during the period:

Market risk – VaR positions by risk type

				31.12.2007
	At 31 December *CHF 1000*	Average *CHF 1000*	Maximum *CHF 1000*	Minimum *CHF 1000*
Equities	**-2 437**	**-2 256**	**-3 880**	**-1 079**
Fixed income	**-84**	**-97**	**-205**	**-33**
Foreign exchange	**-707**	**-407**	**-1 632**	**-92**
Alternative risk trading	**-291**	**-221**	**-427**	**-91**
Foreign exchange risk banking book/treasury	**-661**	**-1 027**	**-2 666**	**-264**
Effects of correlation	**1 755**			
Total	**-2 425**		**-4 037**	**-1 434**

				31.12.2006
	At 31 December *CHF 1000*	Average *CHF 1000*	Maximum *CHF 1000*	Minimum *CHF 1000*
Equities	-1 567	-1 484	-2 706	-818
Fixed income	-118	-135	-252	-24
Foreign exchange	-308	-408	-935	-133
Alternative risk trading	-117	-230	-371	-91
Foreign exchange risk banking book/treasury	-137	-195	-521	-48
Total	-2 247		-3 834	-1 649

5. Liquidity and financing risk as well as interest rate risks in the banking book

The Group Treasurer has overall responsibility for the management of liquidity and financing risks as well as for the interest rate risk in the banking book. Financing risk is the risk of the Group being unable to finance its existing or planned obligations on an ongoing basis at acceptable prices. Liquidity risk is the risk of the Group being unable to meet its payment obligations when they come due. Whereas financing risks relate to the ability of the Group to finance itself continually over time, liquidity risks concern the ability to ensure sufficient liquidity at a specific point in time.

Group Treasury manages its liquidity and financing risks on an integrated basis. The financing capacity is managed through suitable diversification of the financing sources and the provision of collateral, thus reducing liquidity risks. The liquidity position of Bank Julius Baer & Co. Ltd. in particular as well as of the other Group companies is monitored and managed daily and exceeds the regulatory minimum, as required by the Group's liquidity policy.

The risks are independently measured and controlled by the CRO. Risk reports are reviewed quarterly at the meetings of the Executive Board's Risk Committee and are also reviewed quarterly by representatives of the Board of Directors. Trading book market risk is managed separately and is monitored by the CRO. The following definitions are used to separate trading and banking book activities:

The *trading book* consists of proprietary positions in financial instruments that are held for resale or repurchase and that are taken on with the intention of benefiting, usually with a short term-focus, from actual or expected differences between their buying or selling prices. The *banking book* generally has a longer-term investment focus and is defined as all other assets, liabilities and off-balance-sheet items that are intended to be held in order to generate income over time.

Interest rate risk is defined as the impact of potential changes in interest rates on the market value of the assets and liabilities of the Group. An objective measure of this risk can be provided by showing the impact of a positive change of 1% (+100 basis points) in the entire yield curve in the respective currency. The table on page 55, broken down according to time intervals and currencies, shows the results of such a scenario as of 31 December 2007 as well as the comparison figures for the previous year. Negative values under this scenario reflect a potential drop in fair value within the respective time interval; positive values reflect a potential increase in fair value. This risk measure is also used to carry out scenario analyses on a regular basis. As there are no material optional structures in the banking book, a negative change of 1% in the yield curves would result in scenario values of the same magnitude but with opposite sign.

Interest rate sensitivity positions

Interest sensitivity by time bands and 100 bp parallel increase	within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	over 5 years	Total *CHF 1000*
CHF						
2007	-2 514	1 756	19 998	-27 949	3 557	-5 152
2006	-2 778	114	13 359	-23 399	8 442	-4 262
USD						
2007	11	-959	3 404	-790	-480	1 186
2006	594	-261	5 933	50	-	6 316
EUR						
2007	8	-931	6 892	-3 567	-147	2 255
2006	-693	-252	2 426	-6 975	-	-5 494
Other						
2007	-235	-267	2 472	1 654	-131	3 493
2006	-268	-122	1 095	741	-289	1 157

Exposures to risks, other than interest rate and liquidity risks, arising from positions held by the Group in the banking book are limited and monitored using nominal and VAR limits. Price risk exposures arise from positions in equities, funds and non-traditional funds. They are managed by the treasury unit and are reported and reviewed on a monthly basis by Risk Management. Currency risks on the banking book are transferred into the trading book. By way of exception, Group entities may carry currency exposures. These exposures are limited and measured according to individual balance sheet management guidelines and are included in the Group's VAR calculation.

Strategy in using derivative financial instruments

The Group accepts deposits from customers at both fixed and floating rates and for various periods and invests these funds in high-quality assets. Through consolidating the short-term client money taken up and lending it out at longer maturities, an effort is made to increase this interest margin. At the same time, sufficient liquid assets are held in order to always be able to meet all maturing obligations. In managing the associated interest rate risks, the Group employs derivative instruments within scope of its ordinary business activities.

The following table shows the exposure to interest rate risk (interest gap position), based on the remaining expected maturities of the financial assets and liabilities:

Maturity structure of financial assets and liabilities

	On demand *CHF 1000*	Callable *CHF 1000*	Due within 3 months *CHF 1000*	Due within 3 to 12 months *CHF 1000*	Due within 12 months to 5 years *CHF 1000*	Due after 5 years *CHF 1000*	Total *CHF 1000*
Financial assets							
Cash	162 542	-	-	-	-	-	**162 542**
Due from banks	-	-	8 592 489	3 492 467	1 720	-	**12 086 676**
Loans	-	-	9 475 802	2 063 950	585 357	35 103	**12 160 212**
Trading assets	2 644 874	-	-	-	-	-	**2 644 874**
Derivative financial instruments	3 581 732	-	-	-	-	-	**3 581 732**
Financial investments	449 000	-	3 471 265	3 058 000	2 058 000	1 353 000	**10 389 265**
Total 31.12.2007	6 838 148	-	21 539 556	8 614 417	2 645 077	1 388 103	**41 025 301**
Total 31.12.2006	4 298 300		18 257 774	5 560 474	1 948 578	22 068	30 087 194
Financial liabilities							
Due to banks	-	-	5 344 646	129 324	1 383	110	**5 475 463**
Due to customers	-	-	13 588 778	9 016 464	1 839 952	-	**24 445 194**
Trading liabilities	470 856	-	-	-	-	-	**470 856**
Derivative financial instruments	3 664 525	-	-	-	-	-	**3 664 525**
Financial liabilities designated at fair value	184 290	-	862 573	2 227 629	619 840	202 478	**4 096 810**
Debt issued	33 288	-	2 946	-	149 045	225 000	**410 279**
Total 31.12.2007	4 352 959	-	19 798 943	11 373 417	2 610 220	427 588	**38 563 127**
Total 31.12.2006	2 279 866	-	14 205 569	9 124 075	1 833 294	385 966	27 828 770

The following table shows an analysis of the remaining contractual maturities of financial liabilities:

	On demand *CHF 1000*	Callable *CHF 1000*	Due within 3 months *CHF 1000*	Due within 3 to 12 months *CHF 1000*	Due within 12 months to 5 years *CHF 1000*	Due after 5 years *CHF 1000*	Total *CHF 1000*
Financial liabilities							
Due to banks	4 186 696	18 803	650 061	634 320	1 465	113	**5 491 458**
Due to customers	10 147 589	9 734 543	4 464 773	338 620	1 074	-	**24 686 599**
Trading liabilities	470 856	-	-	-	-	-	**470 856**
Derivative financial instruments	3 664 525	-	-	-	-	-	**3 664 525**
Financial liabilities designated at fair value	184 290	-	938 709	2 392 259	662 499	203 203	**4 380 960**
Debt issued	33 288	-	6 747	8 168	181 714	249 503	**479 420**
Total 31.12.2007	18 687 244	9 753 346	6 060 290	3 373 367	846 752	452 819	**39 173 818**
Total 31.12.2006	12 411 807	5 966 040	5 331 304	2 901 941	744 162	718 642	28 073 896

Hedges

The Group hedges a portion of interest rate risk associated with cash flows resulting from term deposits or term loans by employing interest rate swaps. The market value of these swaps on 31 December 2007 amounted to a net CHF +0.1 million (2006: CHF +0.5 million).

6. Operational risk

6.1. Operational risk framework and process

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. In addition, the Group's operational risk framework covers regulatory and supervisory risk.

The qualitative and quantitative standards defined by the Basel Committee for Banking Supervision (Sound Practices of the Management and Supervision of Operational Risk) are met by the current operational risk management and control set-up. Continuing improvements are being made to achieve higher quality in our operational processes and their control procedures, to enable early identification for potential operational risks and to support a proactive approach in managing the business operational risks and to be prepared for the demands of the future.

The Business & Operational Risk department has Group-wide responsibility for developing and implementing the internal framework for managing and controlling operational risk (excluding legal and compliance risk). Furthermore, it gives guidance and support to the operational risk units of the various business areas regarding all matters relating to operational risk and coordinates their efforts at the Group level.

The objectives of operational risk management are as follows:

- To prevent potential substantial losses for the Group
- To strengthen a high degree of risk awareness at all levels
- To enable the business areas to take and manage risk consciously and effectively
- To reinforce an efficient early warning system with a structured and consistent risk management approach
- To assess all operational risk issues before new services or products are offered
- Assuring the smooth operation of business in the event of infrastructure breakdowns and catastrophes (BCM process)

The Business & Operational Risk department is supported by the risk management units of the individual business areas. These units consist of specially trained personnel with line experience who serve as operational risk managers within the business areas and thus assist the business area management in all matters related to operational risks. The Business & Operational Risk department reports to the CRO.

6.2. Risk related to Business Continuity Management

Business Continuity Management (BCM) serves the following purpose:

- To ensure the safety of staff and clients
- To reduce reputational risks and protect the name Julius Baer
- To minimise the probability/impact of events such as business interruptions, pandemics, etc.
- To maintain the Group's credibility with the media, markets and other stakeholders
- To protect the Group's infrastructure
- To meet regulatory, legal and insurance requirements

BCM assesses the local dangers and plans balanced measures in order to achieve adequate protection of staff, information and assets on a global basis. Through minimum global standards, BCM ensures the measures are financially balanced.

BCM guides and supports those responsible in matters of physical and operational security and the enforcement of BCM policy, and periodically reviews compliance with such policy.

Logical and physical crises are handled by the Emergency Management Team (EMT), whose members are prepared for their duties through simulation exercises. This team investigates causes, assesses the effects of events and implements the appropriate immediate measures. Each business location has a local EMT, supported by the main team in Zurich (Julius Baer) or London (GAM). The EMT activates the Business Recovery Plan (BRP) if necessary. The BRP helps the Bank to resume vital processes at the designated recovery site within the required time and ensure business operation. BRPs have been established for all business locations of the Group. The technical responsibility for BCM lies with the CRO.

6.3. Legal and compliance risk

Legal risk consists of default and liability risk. Default risk can be defined as the risk of financial or other loss resulting from a member of the Group being unable to enforce actual or anticipated rights, most commonly contractual rights, against third parties. Liability risk, on the other hand, is where a member of the Group, or someone acting on its behalf, fails to meet an obligation owed to a third party or acts in a manner inconsistent with the rights of such third party, which gives rise to a claim in favour of that third party.

Compliance risk is the risk of financial or other loss resulting from a breach of applicable laws and regulations or the departure from internal or external codes of conduct or market practice. The loss in such circumstances might take the form of regulatory fines, restrictions on business activities or the imposition of mandatory remedial measures.

Legal and compliance risk are controlled by an awareness of and an adherence to the legal and regulatory environment and constraints within which the Group operates. This process is supported by the implementation of appropriate policies and procedures across the Group and by a functionally independent Legal and Compliance department.

6.4. Personnel risk

The major personnel risks according to our risk landscape lie with the dependency on highly qualified staff and the availability of the necessary management and leadership capacities. Based on this risk assessment and given the unchanged demand for qualified staff, our efforts clearly focus on attracting and retaining professional staff, paying special attention to the leadership competencies of our management, the attractiveness of our employment conditions, and targeted training and development measures.

7. Reputational risk

The Group's ability to conduct its business is critically dependent on the reputation it has established over the more than one hundred years of its existence. Maintaining its good reputation is therefore vitally important for the Group, and all staff must make this a top priority. Reputational risk is understood as the risk of events occurring which could materially impair the Group's reputation and thus the value of the Group franchise. Consequently, the potential for reputational risk exists throughout the business areas and the Group Functions unit in Julius Baer Holding Ltd., and it is the responsibility of the business area management and the Group Functions management to monitor and control reputational risk within their respective areas.

Information on the consolidated income statement

1 Net interest income

	2006 CHF 1000	2007 CHF 1000	Change CHF 1000	Change %
Interest income on amounts due from banks	256 907	**274 415**	17 508	6.8
Interest income on loans	205 092	**355 813**	150 721	73.5
Interest income on money market instruments	102 228	**223 861**	121 633	119.0
Interest income on financial investments	139 920	**167 302**	27 382	19.6
Dividend income on financial investments	5 830	**4 594**	-1 236	-21.2
Interest income on trading portfolios	2 144	**3 170**	1 026	47.9
Dividend income on trading portfolios	40 700	**29 313**	-11 387	-28.0
Total interest income	752 821	**1 058 468**	305 647	40.6
Interest expense on amounts due to banks	103 064	**103 212**	148	0.1
Interest expense on amounts due to customers	374 003	**619 797**	245 794	65.7
Interest expense on debt issued	17 920	**12 538**	-5 382	-30.0
Total interest expense	494 987	**735 547**	240 560	48.6
Total	257 834	**322 921**	65 087	25.2

Certain reclassifications have been made to conform to the current year’s presentation.

2 Net fee and commission income

	2006 CHF 1000	2007 CHF 1000	Change CHF 1000	Change %
Investment fund fees	1 702 943	**2 075 777**	372 834	21.9
Fiduciary commissions	50 631	**65 074**	14 443	28.5
Portfolio and other management fees	787 151	**838 751**	51 600	6.6
Total fee and commission from asset management	2 540 725	**2 979 602**	438 877	17.3
Income from brokerage and securities underwriting	306 538	**385 046**	78 508	25.6
Commission income on lending activities	6 377	**3 480**	-2 897	-45.4
Commission income on other services	26 581	**33 294**	6 713	25.3
Total fee and commission income	2 880 221	**3 401 422**	521 201	18.1
Commission expense	531 431	**649 205**	117 774	22.2
Total	2 348 790	**2 752 217**	403 427	17.2

3 Net trading income

	2006 *CHF 1000*	**2007** *CHF 1000*	Change *CHF 1000*	Change *%*
Debt instruments	6 212	**2 315**	-3 897	-62.7
Equity instruments	4 608	**31 293**	26 685	579.1
Foreign exchange	180 578	**264 605**	84 027	46.5
Total	191 398	**298 213**	106 815	55.8

Certain reclassifications have been made to conform to the current year's presentation.

4 Other ordinary results

	2006 *CHF 1000*	**2007** *CHF 1000*	Change *CHF 1000*	Change *%*
Results from sale of subsidiaries	128	**16**	-112	-87.5
Net gains from disposal of financial investments[1]	4 917	**52 336**	47 419	964.4
Income from investments in associates	152	**189**	37	24.3
Real estate income	3 185	**3 074**	-111	-3.5
Other ordinary results	31 500	**17 489**	-14 011	-44.5
Total	39 882	**73 104**	33 222	83.3

[1] Including a net gain from disposal of financial investments held-to-maturity of CHF 4.2 million, see Note 12

The evaluation of provisions led to a release in the amount of CHF 9.4 million during the 2006 financial year, which was booked as Other ordinary results. The position Other ordinary results also contains the residual proceeds of CHF 15.1 million in 2006 from the sale of Private Banking USA.

5 Personnel expenses

	2006 CHF 1000	**2007** CHF 1000	Change CHF 1000	Change %
Salaries and bonuses	891 550	**1 071 042**	179 492	20.1
Contributions to staff pension plans (defined benefits)	62 737	**62 848**	111	0.2
Contributions to staff pension plans (defined contributions)	4 003	**11 124**	7 121	177.9
Other social benefits	70 231	**79 252**	9 021	12.8
Other personnel expenses[1]	193 994	**205 096**	11 102	5.7
Total	1 222 515	**1 429 362**	206 847	16.9

[1] For share-based payments, see Note 32

6 General expenses

	2006 CHF 1000	**2007** CHF 1000	Change CHF 1000	Change %
Occupancy expense	67 569	**75 613**	8 044	11.9
Expense for IT, machinery, furniture, vehicles and other equipment	72 707	**79 049**	6 342	8.7
Information, communication and advertising expense	150 576	**167 790**	17 214	11.4
Service expense, fees and taxes	155 653	**180 780**	25 127	16.1
Other general expenses[1]	22 529	**49 205**	26 676	118.4
Total	469 034	**552 437**	83 403	17.8

[1] Including valuation adjustments, provisions and losses of CHF 46.8 million (2006: CHF 15.7 million)

7 Income taxes

	2006 *CHF 1000*	**2007** *CHF 1000*	Change *CHF 1000*	Change *%*
Income tax on profit before taxes (expected tax expense)	213 032	**273 900**	60 868	28.6
Tax rate difference on income components subject to foreign taxation	-20 144	**1 968**	22 112	109.8
Tax rate difference from local differences in domestic tax rates	3 729	**-6 379**	-10 108	-271.1
Lower taxed income	-8 451	**-280**	8 171	96.7
Effect of utilisation of prior-year losses	-2 777	**-832**	1 945	70.0
Effect from not capitalised losses	11 611	**5 374**	-6 237	-53.7
Adjustments related to prior years	10 547	**-16 417**	-26 964	-255.7
Non-deductible expenses	48 306	**47 143**	-1 163	-2.4
Other influences	-2 038	**704**	2 742	134.5
Actual income tax expense	253 815	**305 181**	51 366	20.2

A tax rate of 22% (2006: 23%) was employed in the calculation of income tax in Switzerland. Not capitalised accumulated operating loss carry-forwards in the amount of CHF 132.7 million (2006: CHF 121.9 million) exist in the Group that can be asserted for more than five years.

Domestic income taxes	112 729	**124 437**	11 708	10.4
Foreign income taxes	141 086	**180 744**	39 658	28.1
Total	253 815	**305 181**	51 366	20.2

Current income taxes	276 148	**346 011**	69 863	25.3
Deferred income taxes	-22 333	**-40 830**	-18 497	-82.8
Total	253 815	**305 181**	51 366	20.2

8 Reporting by segment/division

	Bank Julius Baer			
			Private Banking	
	2006 CHF m restated	**2007** CHF m	2006 CHF m restated	**2007** CHF m
Operating income	1 635.2	**1 923.9**	1 281.7	**1 525.8**
Personnel expenses	697.2	**754.1**	562.2	**633.1**
General expenses	291.6	**328.6**	240.2	**286.9**
Services from/to other segments/divisions	7.0	**10.5**	1.8	**13.0**
Depreciation of property and equipment	14.4	**13.9**	13.4	**13.6**
Amortisation of customer relationships	74.0	**75.1**	74.0	**75.1**
Amortisation of other intangible assets	14.7	**13.7**	13.6	**13.7**
Operating expenses	1 098.9	**1 195.9**	905.2	**1 035.4**
Profit before taxes per segment/division	536.3	**728.0**	376.5	**490.4**
Taxes				
Net profit				
of which shareholders of Julius Baer Holding Ltd.				
of which minority interests				
Assets under management	212 151	**233 911**	138 144	**156 347**
change through net new money	*13 188*	***18 495***	*5 909*	***12 042***
change through market appreciation	*10 297*	***7 617***	*10 297*	***5 830***
change through acquisition[2]	-	***331***	-	***331***
change through divestment[3]	-	***-4 683***	-	***-***
Client assets[4]	263 714	**302 230**	138 182	**161 118**
Assets	12 401	**21 622**	10 955	**20 437**
Liabilities	22 493	**32 797**	20 847	**29 610**
Investments	40.3	**87.8**	39.8	**87.6**
Number of employees (FTE)	2 703	**3 058**	2 259	**2 619**

[1] Including income and expenses that are not directly connected with the segments/divisions.
[2] On 4 October 2007, the Group acquired Capital Invest (Monaco) S.A.M., now named Julius Baer (Monaco) S.A.M., Monaco.
[3] As of 11 January 2007, the Group sold its UK-based subsidiary Julius Baer Investments Ltd. to the management.
[4] Client assets are all client assets managed by or deposited with the Group including only those deposited assets held for transactional or safekeeping/custody purposes for which additional services, for example analysis and reporting or securities lending and borrowing, are provided. Non-bankable assets (e.g. art collections, real estate), asset flows driven more by liquidity requirements than investment purposes, assets primarily used for cash management, funding or trading purposes or deposited assets held purely for transactional or safekeeping/custody purposes are excluded from client assets.

Julius Baer Holding Ltd. has implemented a pure financial holding structure as of 15 November 2007. This structure mirrors the new business operating model which includes: (a) the combining of the Julius Baer European Asset Management business with the product area, Wealth Management Solutions, from Private Banking to create the Investment Product division, (b) the transfer of the execution, trading and product structuring unit “Markets” from Asset Management to the segment “Bank Julius Baer”. The segments of Julius Baer Group newly to be reported are (a) “Bank Julius Baer”, comprising the two Julius Baer branded divisions Private Banking and Investment Products, (b) Asset Management, comprising GAM and the U.S. Asset Management Business, and (c) Group Functions. Restated 2006 figures in line with this new organisation were published on 15 January 2008.

		Asset Management		Group Functions [1]		Total Group	
Investment Products							
2006 *CHF m* *restated*	**2007** *CHF m*	2006 *CHF m* *restated*	**2007** *CHF m*	2006 *CHF m* *restated*	**2007** *CHF m*	2006 *CHF m* *restated*	**2007** *CHF m*
353.5	**398.1**	1 138.5	**1 429.6**	64.2	**93.0**	2 837.9	**3 446.5**
135.0	**121.0**	468.5	**601.5**	56.8	**73.8**	1 222.5	**1 429.4**
51.4	**41.7**	134.4	**169.3**	43.0	**54.5**	469.0	**552.4**
5.2	**-2.5**	-6.7	**-6.9**	-0.3	**-3.6**		
1.0	**0.3**	8.8	**10.5**	5.7	**4.2**	28.9	**28.6**
-	**-**	100.7	**100.7**	-	**-**	174.7	**175.8**
1.1	**-**	1.7	**1.6**	0.1	**-**	16.5	**15.3**
193.7	**160.5**	707.4	**876.7**	105.3	**128.9**	1 911.7	**2 201.5**
159.8	**237.6**	431.1	**552.9**	-41.2	**-35.9**	926.2	**1 245.0**
						253.8	**305.2**
						672.4	**939.8**
						672.4	***939.8***
						-	**-**
74 007	**77 564**	148 514	**171 124**	55	**39**	360 720	**405 074**
7 279	***6 453***	*13 641*	***16 983***	*-20*	***18***	*26 809*	***35 496***
-	***1 787***	*19 511*	***5 627***	*-219*	***-34***	*29 589*	***13 210***
-	**-**	-	**-**	-	**-**	-	***331***
-	***-4 683***	-	**-**	-	**-**	-	***-4 683***
125 532	**141 112**	148 514	**171 124**	55	**39**	412 283	**473 393**
					-		
1 446	**1 185**	3 766	**3 794**	19 826	**21 517**	35 993	**46 933**
1 646	**3 187**	478	**760**	6 158	**6 947**	29 129	**40 504**
0.5	**0.2**	13.3	**20.2**	22.5	**0.1**	76.1	**108.1**
					-		
444	**439**	885	**969**	96	**72**	3 684	**4 099**

Geographical segments

	31.12.2006	**31.12.2007**	2006	**2007**	2006	**2007**
		Total assets		Operating income		Investments
	CHF m	*CHF m*	*CHF 1000*	*CHF 1000*	*CHF 1000*	*CHF 1000*
Reporting by geographical segment						
Switzerland	32 669	**42 777**	1 580 301	**1 772 900**	53 635	**85 812**
Europe (excl. Switzerland)	13 589	**18 059**	780 464	**887 924**	11 072	**14 415**
Americas	1 239	**1 452**	572 125	**695 674**	5 166	**4 360**
Other countries	823	**2 741**	84 707	**192 247**	6 214	**3 514**
Less consolidation items	12 327	**18 096**	179 693	**102 290**	-	**-**
Total	35 993	**46 933**	2 837 904	**3 446 455**	76 087	**108 101**

The segment/division reporting is based on the principle of domicile of operations.

This reporting comprises the two segments Bank Julius Baer (with the divisions Private Banking and Investment Products) and Asset Management. Income and expenses that are not directly connected with the segments/divisions Bank Julius Baer and Asset Management are attributed to Group Functions.

Management accounting policies

The external segment/division reporting reflects the internal organisational structure and management accounts. Income and expenses are assigned to the segments/divisions according to the principle of accountability based on the client relationships. Indirect costs for internal service relationships between the segments/divisions are carried out at internal transfer prices, which are based on effective costs, and are recorded as a cost reduction for the service provider and as a cost increase for the service beneficiary. The depreciation of non-current assets as well as the provisions and losses included in the operating expenses relate to actual costs.

Assets under management include all client assets managed by or deposited with the segments/divisions for investment purposes (see Note 33).

The number of employees in full-time equivalents (FTE) reflects the resources of the individual segments/divisions.

The assets and liabilities are assigned on the basis of the business activities of the individual segments/divisions.

Investments are additions to property and equipment and intangible assets.

9 Earnings per registered share and registered shares outstanding

	2006	**2007**
Basic net profit per registered share		
Net profit (CHF 1000)	672 411	**939 821**
Weighted average number of registered shares outstanding	221 083 934	**215 433 450**
Basic net profit per registered share (CHF)	3.04	**4.36**

	2006	**2007**
Diluted net profit per registered share		
Net profit (CHF 1000)	672 411	**939 821**
Less (profit)/loss on equity derivative contracts	-834	**297**
Net profit for diluted EPS (CHF 1000)	671 577	**940 118**
Weighted average number of registered shares outstanding	221 083 934	**215 433 450**
Dilution effect	2 936 020	**6 740 780**
Weighted average number of registered shares outstanding for diluted EPS	224 019 954	**222 174 230**
Diluted net profit per registered share (CHF)	3.00	**4.23**

	31.12.2006	**31.12.2007**
Registered shares outstanding		
Total registered shares issued	223 256 478	**223 256 478**
Share buy-back	-	**12 222 222**
Treasury shares	1 476 176	**2 650 938**
Total	221 780 302	**208 383 318**

Information on the consolidated balance sheet

10a Due from banks

	31.12.2006 *CHF 1000*	**31.12.2007** *CHF 1000*	Change *CHF 1000*	Change *%*
Due from banks	10 039 790	**12 088 392**	2 048 602	20.4
Allowance for credit losses	-2 160	**-1 716**	444	20.6
Total	10 037 630	**12 086 676**	2 049 046	20.4

Due from banks by type of collateral:				
Securities collateral	3 388 965	**4 881 689**	1 492 724	44.0
Without collateral	6 648 665	**7 204 987**	556 322	8.4
Total	10 037 630	**12 086 676**	2 049 046	20.4

10b Loans

	31.12.2006 *CHF 1000*	**31.12.2007** *CHF 1000*	Change *CHF 1000*	Change *%*
Loans	6 029 254	**10 710 312**	4 681 058	77.6
Mortgages	919 758	**1 488 196**	568 438	61.8
Subtotal	6 949 012	**12 198 508**	5 249 496	75.5
Allowance for credit losses	-30 813	**-38 296**	-7 483	-24.3
Total	6 918 199	**12 160 212**	5 242 013	75.8

Loans by type of collateral:				
Securities collateral	4 613 079	**9 418 473**	4 805 394	104.2
Mortgage collateral	967 259	**1 492 556**	525 297	54.3
Other collateral	1 189 020	**1 054 451**	-134 569	-11.3
Without collateral	148 841	**194 732**	45 891	30.8
Total	6 918 199	**12 160 212**	5 242 013	75.8

10c Allowance for credit losses

	2006			**2007**
	Specific *CHF 1000*	Collective *CHF 1000*	Specific *CHF 1000*	Collective *CHF 1000*
Balance at the beginning of the year	72 050	12 173	**18 525**	**14 448**
Write-offs	-62 709	-	**-**	**-**
Increase in allowance for credit losses	12 255	3 363	**7 383**	**1 258**
Decrease in allowance for credit losses	-	-1 088	**-**	**-**
Translation differences and other adjustments	-3 071	-	**-1 602**	**-**
Balance at the end of the year	18 525	14 448	**24 306**	**15 706**

Of which related to loans CHF 38.3 million (2006: CHF 30.8 million) and due from banks CHF 1.7 million (2006: CHF 2.2 million).

10d Non-performing loans

	2006 *CHF 1000*	**2007** *CHF 1000*	Change *CHF 1000*	Change *%*
Gross loans	52 270	**56 778**	4 508	8.6
Specific valuation allowances	18 525	**24 306**	5 781	31.2
Net loans	33 745	**32 472**	-1 273	-3.8

The non-value-adjusted portion of these loans is substantially covered by collateral.

11 Trading assets and liabilities

	2006 *CHF 1000*	**2007** *CHF 1000*	Change *CHF 1000*	Change *%*
Trading assets				
Debt instruments	145 276	**92 248**	-53 028	-36.5
of which listed	*92 401*	***59 837***	*-32 564*	*-35.2*
of which unlisted	*52 875*	***32 411***	*-20 464*	*-38.7*
Equity instruments	2 266 810	**2 546 170**	279 360	12.3
of which listed	*1 853 447*	***1 996 720***	*143 273*	*7.7*
of which unlisted	*413 363*	***549 450***	*136 087*	*32.9*
Other	5 985	**6 456**	471	7.9
Total	2 418 071	**2 644 874**	226 803	9.4
of which repo-eligible securities	*16 225*	***10 246***	*-5 979*	*-36.9*

	2006 *CHF 1000*	**2007** *CHF 1000*	Change *CHF 1000*	Change *%*
Trading liabilities				
Short positions – debt	13 311	**23 328**	10 017	75.3
Short positions – equity	593 336	**447 528**	-145 808	-24.6
Total	606 647	**470 856**	-135 791	-22.4

12a Financial investments

	2006 CHF 1000	**2007** CHF 1000	Change CHF 1000	Change %
Available-for-sale securities				
Money market instruments	4 090 399	**5 644 138**	1 553 739	38.0
Government and agencies bonds	401 440	**172 609**	-228 831	-57.0
Financial institutions bonds	2 258 337	**2 410 824**	152 487	6.8
Corporate bonds	1 797 567	**1 712 504**	-85 063	-4.7
Debt instruments	4 457 344	**4 295 937**	-161 407	-3.6
of which listed	*4 234 154*	***3 834 576***	*-399 578*	*-9.4*
of which unlisted	*223 190*	***461 361***	*238 171*	*106.7*
Equity instruments	150 972	**449 190**	298 218	197.5
of which listed	*4 024*	***28 364***	*24 340*	*604.9*
of which unlisted	*146 948*	***420 826***	*273 878*	*186.4*
Total available-for-sale securities	8 698 715	**10 389 265**	1 690 550	19.4
Held-to-maturity securities				
Government and agencies bonds	9 993	**-**	-9 993	-100.0
Financial institutions bonds	104 361	**-**	-104 361	-100.0
Corporate bonds	19 996	**-**	-19 996	-100.0
Other bonds	-	**-**	-	-
Debt instruments	134 350	**-**	-134 350	-100.0
of which listed	*55 006*	***-***	*-55 006*	*-100.0*
of which unlisted	*79 344*	***-***	*-79 344*	*-100.0*
Total held-to-maturity securities	134 350	**-**	-134 350	-100.0
Total	8 833 065	**10 389 265**	1 556 200	17.6
of which repo-eligible securities	*2 974 076*	***5 380 525***	*2 406 449*	*80.9*

The position Held-to-maturity securities in the amount of CHF 134 million has been closed in the 2007 financial year. Debt securities with a book value of CHF 19 million matured. Debt securities with a book value of CHF 80 million were sold with a resulting gain of CHF 4.2 million. In line with the applicable IFRS guidance, the remaining debt securities with a book value of CHF 35 million have been reclassified to Available-for-sale securities and subsequently revalued at fair value, with a loss of CHF 0.1 million recognised in equity.

12b Financial investments – Credit ratings

	2006 CHF 1000	**2007** CHF 1000	Change CHF 1000	Change %
Debt instruments by credit rating classes (excluding money market instruments)				
1-2	3 252 801	**3 216 920**	-35 881	-1.1
3	926 354	**774 231**	-152 123	-16.4
4	62 370	**63 066**	696	1.1
5-7	-	**-**	-	
Unrated	350 169	**241 720**	-108 449	-31.0
Total	4 591 694	**4 295 937**	-295 757	-6.4

The rating classes used in the above table are based on the following external credit ratings:

External credit ratings mapped to credit rating classes

Rating agency	**Rating class**			
	1-2	3	4	5-7
Fitch, S&P	AAA – AA-	A+ – A-	BBB+ – BBB-	BB+ – C
Moody's	Aaa – AAa3	A1 – A3	Baa1 – Baa3	Ba1 – C

12c Financial investments – Impairment

No financial investments were deemed impaired in 2007 and 2006.

13 Intangible assets and property and equipment

	Goodwill *CHF 1000*	Customer relationships *CHF 1000*	Brand *CHF 1000*	Other intangible assets *CHF 1000*	**Total intangible assets** *CHF 1000*	Bank premises *CHF 1000*	Other property and equipment *CHF 1000*	**Total property and equipment** *CHF 1000*
Historical cost								
Balance on 01.01.2006	2 938 791	1 747 000	273 000	158 508	5 117 299	307 361	86 346	393 707
Translation differences	-	-	-	356	356	-	1 933	1 933
Additions	-	-	-	24 544	24 544	22 482	29 061	51 543
Disposals/transfers[1]	-	-	-	38 397	38 397	226	6 136	6 362
Balance on 31.12.2006	2 938 791	1 747 000	273 000	145 011	5 103 802	329 617	111 204	440 821
Translation differences	-	-	-	-83	-83	-	-1 742	-1 742
Additions	-	3 482	-	54 844	58 326	-	31 315	31 315
Acquisition of subsidiaries	15 921	2 190	-	-	18 111	-	349	349
Disposals/transfers[1]	-	-	-	28 123	28 123	3 045	8 168	11 213
Balance on 31.12.2007	2 954 712	1 752 672	273 000	171 649	5 152 033	326 572	132 958	459 530
Depreciation and amortisation								
Balance on 01.01.2006	-	14 558	-	114 954	129 512	27 091	32 092	59 183
Translation differences	-	-	-	387	387	-	1 828	1 828
Additions	-	174 700	-	16 531	191 231	5 382	23 516	28 898
Disposals/transfers[1]	-	-	-	36 286	36 286	-	4 244	4 244
Balance on 31.12.2006	-	189 258	-	95 586	284 844	32 473	53 192	85 665
Translation differences	-	-	-	-136	-136	-	-736	-736
Additions	-	175 797	-	15 255	191 052	4 134	24 468	28 602
Disposals/transfers[1]	-	-	-	28 086	28 086	-	9 590	9 590
Balance on 31.12.2007	-	365 055	-	82 619	447 674	36 607	67 334	103 941
Book value								
Balance on 31.12.2006	2 938 791	1 557 742	273 000	49 425	4 818 958	297 144	58 012	355 156
Balance on 31.12.2007	**2 954 712**	**1 387 617**	**273 000**	**89 030**	**4 704 359**	**289 965**	**65 624**	**355 589**

[1] Includes derecognition of fully depreciated and amortised assets

There are no property and equipment arising from finance leases.

	Balance on 01.01.2007 CHF 1000	Additions CHF 1000	Disposals CHF 1000	Amortisation CHF 1000	**Balance on 31.12.2007** CHF 1000
Goodwill					
Private Banking	1 097 481	15 921	-	-	**1 113 402**
Asset Management	1 841 310	-	-	-	**1 841 310**
Total	2 938 791	15 921	-	-	**2 954 712**
Customer relationships					
Private Banking	659 834	5 672	-	75 097	**590 409**
Asset Management	897 908	-	-	100 700	**797 208**
Total	1 557 742	5 672	-	175 797	**1 387 617**
Brand					
Asset Management	273 000	-	-	-	**273 000**
Total	273 000	-	-	-	**273 000**

The two divisions Private Banking and Asset Management carry a goodwill balance. To identify any indications of impairment on goodwill, the recoverable amount is determined for the respective cash-generating units (i.e. for the smallest identifiable groups of assets that generate cash inflows independently from other assets) within these divisions and is subsequently compared to the carrying amount of these units.

The Group uses a proprietary model based on the discounted cash flow method to calculate these recoverable amounts. The Group estimates the expected free cash flows for the respective cash-generating units based on its own five-year financial planning. The estimates of the expected free cash flows take into account the projected investments and the forecasted results based on the projected growth of future assets under management. These cash flows are discounted to present value. The pre-tax discount rates used are 13.4% for Private Banking and 16.4% for Asset Management.

To identify any indication of impairment of the brand name GAM recorded in Asset Management, the Group uses a proprietary model based on the discounted cash flow method. To determine the recoverable amount, the expected results under the brand are forecast. These results are the basis for calculating the projected “royalty savings” (i.e. an internal license fee for use of the brand), which are discounted to present value. The pre-tax discount rate used to calculate the recoverable amount is 15.4%, and the rate used for the “royalty savings” is 3.9%.

Management believes that reasonable changes in key assumptions used to determine the recoverable amount will not result in an impairment situation.

14 Future annual commitments under operating leases

	31.12.2006 CHF 1000	**31.12.2007** CHF 1000	Change CHF 1000	Change %
Maturity of up to 1 year	2 277	**7 373**	5 096	223.8
Maturity of up to 5 years	12 612	**27 137**	14 525	115.2
Maturity of up to 10 years	10 638	**9 572**	-1 066	-10.0
Maturity of up to 15 years	6 184	**7 177**	993	16.1
Maturity of over 15 years	6 926	**8 250**	1 324	19.1
Subtotal	38 637	**59 509**	20 872	54.0
Less sublease rentals received under non-cancellable leases	3 856	**2 532**	-1 324	-34.3
Total	34 781	**56 977**	22 196	63.8

Operating expenses include gross CHF 43.4 million as of 31 December 2007 (2006: CHF 37.3 million) from operating leases and are related to rental contracts.

15 Assets pledged or ceded to secure own commitments and assets subject to retention of title

		31.12.2006		**31.12.2007**
	Book value CHF 1000	Effective commitment CHF 1000	Book value CHF 1000	Effective commitment CHF 1000
Securities	1 163 334	827 138	**1 330 618**	**1 001 601**
Other	20 896	16 400	**15 490**	**11 772**
Total	1 184 230	843 538	**1 346 108**	**1 013 373**

The assets are pledged for commitments from securities borrowing, for lombard limits at central banks, for stock exchange security deposits and to secure the business activities of the foreign companies according to local laws.

16 Due to pension plans

	31.12.2006 CHF 1000	**31.12.2007** CHF 1000	Change CHF 1000	Change %
Due to pension plans	14 560	**13 247**	-1 313	-9.0

The amount due to pension plans reflects credit balances of the pension plans which are deposited in the Group. The employer contributions have been credited to the individual pension plans. Not taken into account are any liabilities according to IAS 19 (see Note 24).

17 Financial liabilities designated at fair value

	31.12.2006	2008	2009	2010	2011	2012	2013-2017	Thereafter	**31.12.2007**
	CHF 1000	*CHF 1000*	*CHF 1000*	*CHF 1000*	*CHF 1000*	*CHF 1000*	*CHF 1000*	*CHF 1000*	*CHF 1000*
Senior debt									
Fixed rate	2 388 558	2 818 751	20 764	14 799	85 645	93 622	-	-	**3 033 581**
Interest rates (ranges in %)		0-43.1	0-15.75	8.3-8.6	0.3-12.0	0.2-9.0	-	-	
Floating rate	989 484	659 641	52 785	69 675	67 433	144 136	69 559	-	**1 063 229**
Total	3 378 042	**3 478 392**	**73 549**	**84 474**	**153 078**	**237 758**	**69 559**	**-**	**4 096 810**

The table above indicates the maturities of the structured debt issues of Bank Julius Baer & Co. Ltd. with fixed interest rate coupons ranging from 0% up to 43.1%. The high and low coupons generally relate to structured debt issues prior to the separation of embedded derivatives. As a result, the stated interest rate on such debt issues generally does not reflect the effective interest rate paid to service the debt after the embedded derivative has been separated and, where applicable, the application of hedge accounting.

Changes in the fair value of financial liabilities designated at fair value are attributable to changes in the market risk factors of the embedded derivatives. The credit rating of the Bank does not have an impact on the fair value changes of these liabilities.

18 Debt issued

	31.12.2006	**31.12.2007**
	CHF 1000	*CHF 1000*
Money market instruments	7 899	**36 234**
Cash bonds	70	**-**
Bonds	273 464	**149 045**
Preferred securities[1]	225 000	**225 000**
Total	506 433	**410 279**

[1] See Note 29

Money market instruments

	31.12.2006	**31.12.2007**
	CHF 1000	*CHF 1000*
Maturity		
On demand (0%)	7 899	**36 234**
Total	7 899	**36 234**

Cash bonds as of 31 December 2007

No cash bonds are outstanding as of 31 December 2007 (2006: CHF 70 000, matured in 2007).

The average interest rate as of 31 December 2006 was 3.75%.

Bonds and preferred securities

Year of issue	Interest rate %		Maturity	Notional amount CHF 1000	31.12.2006 Total CHF 1000	**31.12.2007** Total CHF 1000
Julius Baer Holding Ltd.						
1999[1]	3.00	CHF bond	2007	150 000	124 860	**-**
2004[2]	2.50	CHF bond	2010	150 000	148 604	**149 045**
Julius Baer Capital (Guernsey) I Ltd.						
2005[3]	3.63	Preferred securities		225 000	225 000	**225 000**
Total					498 464	**374 045**
Total debt issued					506 433	**410 279**

[1] In 2006 own bonds of CHF 25.1 million were offset with bonds issued.
The effective interest rate amounts to 2.90%.
[2] The effective interest rate amounts to 3.26%.
[3] See Note 29

19a Deferred tax assets

	31.12.2006 *CHF 1000*	**31.12.2007** *CHF 1000*
Balance at the beginning of the year	49 441	**64 389**
Income statement – credit	26 610	**47 622**
Income statement – charge	-9 173	**-5 962**
Sale of subsidiaries	-	**-1 190**
Recognised directly in equity	-	**4 292**
Translation differences and other adjustments	-2 489	**-6 395**
Balance at the end of the year	64 389	**102 756**

The components of deferred tax assets are as follows:		
Employee compensation and benefits	58 105	**98 020**
Property and equipment	4 181	**3 131**
Other	2 103	**1 605**
Total deferred tax assets	64 389	**102 756**

19b Deferred tax liabilities

	31.12.2006 *CHF 1000*	**31.12.2007** *CHF 1000*
Balance at the beginning of the year	89 830	**83 430**
Income statement – charge	89	**3 782**
Income statement – credit	-4 985	**-2 952**
Recognised directly in equity	1 854	**-1 398**
Translation differences and other adjustments	-3 358	**37**
Balance at the end of the year	83 430	**82 899**

The components of deferred tax liabilities are as follows:		
Employee compensation and benefits	7 805	**9 310**
Property and equipment	11 202	**10 277**
Financial investments	10 163	**10 959**
Provisions	53 940	**52 059**
Other	320	**294**
Total deferred tax liabilities	83 430	**82 899**

20 Provisions

	2006 Total *CHF 1000*	**2007** Restructuring *CHF 1000*	**2007** Legal risks *CHF 1000*	**2007** Other *CHF 1000*	**2007** Total *CHF 1000*
Balance at the beginning of the year	189 213	**63 298**	**27 574**	**6 663**	**97 535**
Utilised during the year	-65 225	**-18 940**	**-23 547**	**-1 410**	**-43 897**
Provisions made during the year	7 459	**-**	**30 603**	**1 142**	**31 745**
Provisions reversed during the year	-31 836	**-14 920**	**-2 780**	**-2 286**	**-19 986**
Other adjustments	-2 076	**-22**	**-410**	**24**	**-408**
Balance at the end of the year	97 535	**29 416**	**31 440**	**4 133**	**64 989**
Maturity of provisions					
up to one year	46 661	**14 708**	**10 778**	**2 513**	**27 999**
over one year	50 874	**14 708**	**20 662**	**1 620**	**36 990**

Details to restructuring provisions		
Balance at the beginning of the year	134 012	**63 298**
Provisions made during the year	1 304	**-**
Other adjustments	-343	**-22**
Provisions used:		
– Personnel	-16 827	**-16 971**
– IT	-28 527	**-**
– Professional fees	-293	**-164**
– Occupancy expense	-2 150	**-1 801**
– Other	-39	**-4**
Provisions reversed during the year	-23 839	**-14 920**
Balance at the end of the year	63 298	**29 416**

The remaining restructuring provisions will mainly be used for ongoing early retirement programmes within the next 2 to 3 years.

21 Legal risks

The Group is involved in various legal proceedings in the course of normal business operations. The Group establishes provisions for current and threatened pending legal proceedings if the management is of the opinion that the Group is more likely than not to face payments or losses and if the amount of such payments or losses can be reasonably estimated. Such provisions are contained in the item provisions for legal risks in the consolidated balance sheet.

22 Share capital

	Registered shares (CHF 0.05 par)	
	Number	*CHF 1000*
Balance on 01.01.2006	223 256 478	**11 163**
of which entitled to dividends	*223 256 478*	***11 163***
Changes	-	-
Balance on 31.12.2006	223 256 478	**11 163**
of which entitled to dividends	*223 256 478*	***11 163***
Changes	-	-
Balance on 31.12.2007	223 256 478	**11 163**
of which entitled to dividends	*211 034 256*	*10 552*

All registered shares are fully paid.

Conditional capital		
For warrant and convertible bonds		
Resolution of the Ordinary Shareholders' Meeting on 24.06.1993	10 000 000	**500**

There is no authorised capital.
The dividend paid for the previous financial year is disclosed in the consolidated statement of changes in equity.
For outstanding registered shares and treasury shares, see Note 9.
For Significant shareholders and Proposal of appropriation of profit of the Board of Directors to the Annual General Meeting, see pages 113 and 118.

23 Related party transactions

	31.12.2006 CHF 1000	**31.12.2007** CHF 1000	Change CHF 1000	Change %
Key management personnel compensation[1]				
Salaries and other short-term employee benefits	36 103	**38 758**	2 655	7.4
Post-employment benefits	1 011	**1 027**	16	1.6
Participation plans	19 616	**19 693**	77	0.4
Total	56 730	**59 478**	2 748	4.8
Receivables from				
associated companies	1 610	**1 655**	45	2.8
key management personnel[1]	23 278	**41 185**	17 907	76.9
own pension funds	153	**2 511**	2 358	1 541.2
Total	25 041	**45 351**	20 310	81.1
Liabilities to				
key management personnel[1]	16 292	**12 416**	-3 876	-23.8
own pension funds	14 560	**13 247**	-1 313	-9.0
Total	30 852	**25 663**	-5 189	-16.8
Credit guarantees to				
key management personnel[1]	450	**17**	-433	-96.2
Total	450	**17**	-433	-96.2
Income from services provided to				
key management personnel[1]	736	**816**	80	10.9
own pension funds	274	**556**	282	102.9
Total	1 010	**1 372**	362	35.8

[1] 2007: Key management personnel consists of the Board of Directors and the Executive Board of Julius Baer Holding Ltd. as well as management that have the authority and responsibility for planning, directing and controlling the activities of the two segments Bank Julius Baer and Asset Management. The Executive Board of the holding company consists of the Group Chief Executive Officer, the Group Chief Financial Officer, the Group Chief Risk Officer and the Group General Counsel.
2006: Board of Directors, Group Executive Board and Senior Management

For Compensation, loans and share- and option holdings of the Board of Directors and Senior Management, see pages 114-117.

The loans granted to key management personnel consist of lombard loans on a secured basis (through pledging of the securities portfolios) and mortgage loans on a fixed and variable basis.

The interest rates of the lombard loans and mortgage loans are in line with the terms and conditions that are available to other employees, which are in line with the terms and conditions granted to third parties, though employees of the Group are granted a discount of 1% for fixed mortgages, and variable mortgages are granted at the refinancing rate plus 0.5%. Interest rates of 2.13% to 3.27% are applied to the mortgage portfolio as of 31 December 2007. The residual maturities of the mortgage loans as of 31 December 2007 range between 1 month and 6 years. Interest rates ranging from 3.17% to 4.52% are charged on the lombard loans outstanding as of 31 December 2007.

Other financial services are transacted at arm's length.

24 Pension plans and other employee benefits

Actuarial calculation of pension obligations with respect to employees[1]

	2006 *CHF 1000*	**2007** *CHF 1000*
1. Development of pension obligations and assets		
Present value of funded obligation at the beginning of the year	-1 570 614	**-1 680 818**
Service cost	-97 506	**-90 461**
Past service cost	-356	**-17 185**
Interest cost	-55 779	**-57 206**
Settlements	-4 061	**105 962**
Benefits paid	78 512	**32 839**
Actuarial gain/(loss)	-15 779	**106 463**
Translation differences	-15 235	**19 010**
Present value of funded obligation at the end of the year	-1 680 818	**-1 581 396**
Fair value of plan assets	1 473 241	**1 647 810**
Expected return on plan assets	74 954	**78 086**
Employer's contributions	105 944	**76 110**
Employees' contributions	25 447	**22 921**
Settlements	-	**-93 460**
Benefits paid	-78 512	**-32 839**
Actuarial gain/(loss)	34 529	**-36 771**
Translation differences	12 207	**-17 590**
Fair value of plan assets	1 647 810	**1 644 267**

	31.12.2006 *CHF 1000*	**31.12.2007** *CHF 1000*
2. Balance sheet		
Fair value of plan assets	1 647 810	**1 644 267**
Present value of funded obligation	-1 680 818	**-1 581 396**
Funded status	-33 008	**62 871**
Unrecognised assets	-4 352	**-19 048**
Unrecognised actuarial (gains)/losses	46 590	**-19 829**
(Accrued)/prepaid pension cost	9 230	**23 994**
Deferred taxes	-1 826	**-5 670**
Amounts recognised in the balance sheet (included in other assets/other liabilities)	7 404	**18 324**

[1] Benefit obligations and pension costs appear with a negative sign.

	2006 *CHF 1000*	**2007** *CHF 1000*
3. Income statement		
Service cost	-97 506	**-90 461**
Interest cost	-55 779	**-57 206**
Expected return on plan assets	74 954	**78 086**
Amortisation of actuarial gain/(loss)	-490	**-657**
Past service cost	-356	**-17 022**
Recognised actuarial gains/(losses)	-9 031	**12 465**
Increase/(decrease) of unrecognised assets	311	**-14 696**
Settlements	-287	**3 721**
Net periodic pension cost	-88 184	**-85 770**
Employees' contributions	25 447	**22 922**
Expense recognised in the income statement	-62 737	**-62 848**

	2006 *CHF 1000*	**2007** *CHF 1000*
4. Movement in the net asset or (liability)		
(Accrued)/prepaid pension cost at the beginning of the year	-28 095	**9 230**
Acquisitions	-3 774	**-**
Translation differences	-2 108	**1 502**
Expense recognised in the income statement	-62 737	**-62 848**
Employer's contributions	105 944	**76 110**
Prepaid pension cost	43 207	**13 262**
Amounts recognised in the balance sheet	9 230	**23 994**
Prepaid pension cost	41 062	**49 618**
Accrued pension liability	-31 832	**-25 624**
(Accrued)/prepaid pension cost	9 230	**23 994**
Actual return on plan assets	109 410	**40 754**

	2006 *%*	**2007** *%*
5. Asset allocation		
Cash	2.91	**7.26**
Debt instruments	34.40	**30.62**
Equity instruments	34.78	**32.76**
Real estate	8.89	**8.04**
Other	19.02	**21.32**
Total	100.00	**100.00**

	31.12.2005 CHF 1000	31.12.2006 CHF 1000	**31.12.2007** CHF 1000
6. Defined benefit pensions plans			
Fair value of plan assets	1 473 241	1 647 810	**1 644 267**
Present value of funded obligation	-1 570 614	-1 680 818	**-1 581 396**
Funded status	-97 373	-33 008	**62 871**
Experience adjustment on plan liabilities	-	-20 946	**-8 799**
Change in assumptions adjustment on plan liabilities	-	5 167	**115 263**
Experience adjustment on plan assets	-	34 528	**-36 771**
Total actuarial gain/(loss)	-	18 749	**69 693**

Commentary on actuarial calculation of pension obligations

Based on the corridor approach, actuarial gains and losses are recognised systematically over the remaining average working lives of the employees as income or expense if the net cumulative unrecognised actuarial gains and losses exceed the greater of 10% of the defined benefit obligation and 10% of the fair value of any pension plan assets. The pension asset consists only of deferred actuarial losses.

The funded pension plan assets are invested in accordance with local laws and include no shares of Julius Baer Holding Ltd.

The Group maintains a number of defined contribution pension plans, primarily abroad. In the case of defined contribution pension plans, the pension expenses are charged to the income statement in the corresponding financial year. The expenses for contributions to these pension plans amounted to CHF 11.1 million during the 2007 financial year (2006: CHF 4.0 million).

The latest actuarial calculation was carried out as of 31 December 2006. The actuarial assumptions are based on local economic conditions and are as follows for Switzerland which accounts for about 82% of all benefit obligations and plan assets:

	2006	**2007**
Discount rate	2.75%	**3.25%**
Expected net return on plan assets	4.50%	**4.50%**
Average future salary increases	2.00%	**2.00%**
Future pension increases	0.50%	**0.50%**

The expected return on funded pension plan assets is based on long-term historical performance of the asset categories as well as expectations for future market performance.

The expected employer contributions for the 2008 financial year are estimated at CHF 67.8 million.

25 Assets and liabilities by domestic and foreign origin

	31.12.2006 Domestic CHF 1000	31.12.2006 Foreign CHF 1000	31.12.2007 Domestic CHF 1000	31.12.2007 Foreign CHF 1000
Assets				
Cash	219 065	1 820	**158 370**	**4 172**
Due from banks	1 017 203	9 020 427	**939 759**	**11 146 917**
Loans	1 902 042	5 016 157	**4 749 913**	**7 410 299**
Trading assets	1 215 766	1 202 305	**1 510 918**	**1 133 956**
Derivative financial instruments	655 649	1 003 695	**866 596**	**2 715 136**
Financial investments	320 556	8 512 509	**254 003**	**10 135 262**
Investments in associates	996	-	**1 095**	**-**
Property and equipment	324 856	30 300	**319 606**	**35 983**
Intangible assets	4 813 612	5 346	**4 699 343**	**5 016**
Accrued income and prepaid expenses	111 205	412 578	**173 281**	**442 899**
Deferred tax assets	646	63 743	**76**	**102 680**
Other assets	66 670	75 803	**56 923**	**70 830**
Total	10 648 266	25 344 683	**13 729 883**	**33 203 150**
Liabilities and equity				
Due to banks	619 846	4 104 179	**684 484**	**4 790 979**
Due to customers	10 215 448	6 732 855	**8 856 777**	**15 588 417**
Trading liabilities	606 647	-	**470 856**	**-**
Derivative financial instruments	512 294	1 153 026	**912 276**	**2 752 249**
Financial liabilities designated at fair value	77 504	3 300 538	**64 225**	**4 032 585**
Debt issued	281 433	225 000	**185 279**	**225 000**
Accrued expenses and deferred income	292 194	569 790	**386 491**	**845 789**
Current tax liabilities	82 801	54 237	**107 321**	**63 750**
Deferred tax liabilities	83 400	30	**82 838**	**61**
Provisions	94 925	2 610	**63 088**	**1 901**
Other liabilities	62 582	57 662	**289 937**	**99 672**
Total liabilities	12 929 074	16 199 927	**12 103 572**	**28 400 403**
Total equity	6 863 948	-	**6 429 058**	**-**
Total	19 793 022	16 199 927	**18 532 630**	**28 400 403**

Domestic and foreign relates to the domicile of the counterparty, except for mortgages where the location of the real estate is relevant.

26 Off-balance-sheet transactions

	31.12.2006 *CHF 1000*	**31.12.2007** *CHF 1000*	Change *CHF 1000*	Change *%*
Contingent liabilities[1]				
Credit guarantees and similar instruments[2]	773 111	**835 304**	62 193	8.0
Other contingent liabilities	32 571	**32 630**	59	0.2
Total	805 682	**867 934**	62 252	7.7
Irrevocable commitments[1]				
Unutilised irrevocable commitments to extend credit	75 318	**58 626**	-16 692	-22.2
Acceptance liabilities[1]				
Acceptance liabilities	5 426	**-**	-5 426	-100.0
Derivative financial instruments				
Contract volume[3]	177 283 393	**213 006 273**	35 722 880	20.2
Fiduciary transactions				
Fiduciary deposits[4]	17 151 999	**20 875 679**	3 723 680	21.7
Total	17 151 999	**20 875 679**	3 723 680	21.7

[1] These amounts reflect the maximum payments the Group is committed to making. The fair value of these commitments, i.e. the amount to cover possible existing payment obligations, is recorded in the provisions.
[2] Credit guarantees in the form of obligations under avals, sureties and guarantees, including guarantee obligations in the form of irrevocable letters of credit
[3] See Note 27
[4] Investments which Group companies enter into at banks outside of the consolidated companies for the account of and at the risk of the client

Fiduciary transactions consist of investments, credits and participations that the Group enters into or grants in its own name but for the account of and at the risk of the client as per written instruction.

	31.12.2006 *CHF 1000*	**31.12.2007** *CHF 1000*	Change *CHF 1000*	Change *%*
Securities lending and borrowing transactions / repurchase and reverse repurchase transactions				
Receivables from cash collateral provided in securities borrowing and reverse repurchase transactions	3 388 965	**4 881 689**	1 492 724	44.0
Obligations to return cash collateral received in securities lending and repurchase transactions	292 787	**283 595**	-9 192	-3.1
Own securities lent as well as securities provided as collateral for borrowed securities under securities borrowing and repurchase transactions	719 181	**1 626 697**	907 516	126.2
of which securities the right to pledge or sell has been granted without restriction	*719 181*	***1 626 697***	*907 516*	*126.2*
Securities borrowed as well as securities received as collateral for loaned securities under securities lending and reverse repurchase transactions	15 166 437	**22 481 665**	7 315 228	48.2
of which repledged or resold securities	*7 433 918*	***10 158 505***	*2 724 587*	*36.7*

27 Derivative financial instruments

	Contract/ Notional amount CHF m	Positive replacement value CHF m	Negative replacement value CHF m
Derivatives held for trading			
Foreign exchange derivatives			
Forward contracts	87 417.3	891.4	975.4
Futures	831.9	0.9	-
Options (OTC)	98 456.6	1 292.5	1 076.6
Total foreign exchange derivatives 31.12.2007	**186 705.8**	**2 184.8**	**2 052.0**
Total foreign exchange derivatives 31.12.2006	93 438.4	894.4	642.2
Interest rate derivatives			
Swaps	2 124.4	16.7	18.0
Futures	957.8	2.9	11.1
Total interest rate derivatives 31.12.2007	**3 082.2**	**19.6**	**29.1**
Total interest rate derivatives 31.12.2006	69 140.1	64.2	66.6
Precious metals derivatives			
Forward contracts	723.3	38.8	0.3
Futures	486.0	-	0.3
Options (OTC)	4 231.8	259.5	84.6
Total precious metals derivatives 31.12.2007	**5 441.1**	**298.3**	**85.2**
Total precious metals derivatives 31.12.2006	2 450.0	167.3	171.3
Equity/indices derivatives			
Futures	771.0	9.1	3.7
Options (OTC)	11 710.7	971.7	1 031.8
Options traded	5 014.5	91.8	457.2
Total equity/indices derivatives 31.12.2007	**17 496.2**	**1 072.6**	**1 492.7**
Total equity/indices derivatives 31.12.2006	11 763.2	529.8	781.7
Other derivatives			
Futures	69.0	5.1	3.6
Total other derivatives 31.12.2007	**69.0**	**5.1**	**3.6**
Total other derivatives 31.12.2006	94.7	2.2	2.6
Total derivatives held for trading 31.12.2007	**212 794.3**	**3 580.4**	**3 662.6**
Total derivatives held for trading 31.12.2006	176 886.4	1 657.9	1 664.4

	Contract/ Notional amount *CHF m*	Positive replacement value *CHF m*	Negative replacement value *CHF m*
Derivatives held for hedging[1]			
Derivatives designated as cash flow hedges			
Interest rate swaps	62.0	0.6	0.5
Derivatives designated as fair value hedges			
Interest rate swaps	150.0	0.7	1.4
Total derivatives held for hedging 31.12.2007	**212.0**	**1.3**	**1.9**
Total derivatives held for hedging 31.12.2006	397.0	1.4	0.9
Total derivative financial instruments 31.12.2007	**213 006.3**	**3 581.7**	**3 664.5**
Total derivative financial instruments 31.12.2006	177 283.4	1 659.3	1 665.3

[1] See Comment on risk management

28a Financial instruments by measurement basis

	Held for trading CHF m	Designated at fair value CHF m	Held-to-maturity securities CHF m	Loans and receivables CHF m
Financial assets				
Cash				
Due from banks				12 086.7
Loans				12 160.2
Trading assets	2 644.9			
Derivative financial instruments	3 580.4			
Financial investments				
Total	6 225.3	-	-	24 246.9
Financial liabilities				
Due to banks				
Due to customers				
Trading liabilities	470.9			
Derivative financial instruments	3 662.6			
Financial liabilities designated at fair value		4 096.8		
Debt issued				
Total	4 133.5	4 096.8	-	-
Total difference between fair value and book value, excluding deferred taxes				

	Held for trading CHF m	Designated at fair value CHF m	Held-to-maturity securities CHF m	Loans and receivables CHF m
Financial assets				
Cash				
Due from banks				10 037.6
Loans				6 918.2
Trading assets	2 418.1			
Derivative financial instruments	1 657.9			
Financial investments			134.4	
Total	4 076.0	-	134.4	16 955.8
Financial liabilities				
Due to banks				
Due to customers				
Trading liabilities	606.6			
Derivative financial instruments	1 664.4			
Financial liabilities designated at fair value		3 378.0		
Debt issued				
Total	2 271.0	3 378.0	-	-
Total difference between fair value and book value, excluding deferred taxes				

					31.12.2007
Available-for-sale securities	Financial liabilities at amortised costs	Derivatives designated as hedging instruments	Total book value	Total fair value	Difference
CHF m	*CHF m*	*CHF m*	*CHF m*	*CHF m*	*CHF m*
			162.5	**162.5**	**-**
			12 086.7	**12 089.7**	**3.0**
			12 160.2	**12 197.8**	**37.6**
			2 644.9	**2 644.9**	**-**
		1.3	**3 581.7**	**3 581.7**	**-**
10 389.3			**10 389.3**	**10 390.2**	**0.9**
10 389.3	-	1.3	**41 025.3**	**41 066.8**	**41.6**
	5 475.5		**5 475.5**	**5 475.9**	**-0.4**
	24 445.2		**24 445.2**	**24 445.6**	**-0.4**
			470.9	**470.9**	**-**
		1.9	**3 664.5**	**3 664.5**	**-**
			4 096.8	**4 096.8**	**-**
	410.3		**410.3**	**416.1**	**-5.8**
-	30 330.9	1.9	**38 563.1**	**38 569.8**	**-6.7**
					34.9

					31.12.2006
Available-for-sale securities	Financial liabilities at amortised costs	Derivatives designated as hedging instruments	Total book value	Total fair value	Difference
CHF m	*CHF m*	*CHF m*	*CHF m*	*CHF m*	*CHF m*
			220.9	220.9	-
			10 037.6	10 053.5	15.9
			6 918.2	6 944.3	26.1
			2 418.1	2 418.1	-
		1.4	1 659.3	1 659.3	-
8 698.7			8 833.1	8 834.2	1.1
8 698.7	-	1.4	30 087.2	30 130.3	43.1
	4 724.0		4 724.0	4 693.1	30.9
	16 948.3		16 948.3	16 991.3	-43.0
			606.6	606.6	-
		0.9	1 665.3	1 665.3	-
			3 378.0	3 378.0	-
	506.4		506.4	521.1	-14.7
-	22 178.8	0.9	27 828.8	27 855.5	-26.8
					16.3

The following methods are used in calculating the estimated fair value of financial instruments in the balance sheet:

Short-term financial instruments
Financial instruments with a maturity or a refinancing profile of one year or less are generally classified as short-term. This applies for the balance sheet items cash and money market instruments. Depending on the maturity, it also includes the following: due from banks; loans; mortgages; due to banks; due to customers in savings and investment accounts; due to customers, other; cash bonds and bonds. For short-term financial instruments which do not have a market price published by a recognised stock exchange or notable market (referred to hereinafter as a market price), the book value fundamentally approximates the fair value.

Long-term financial instruments
Depending on the maturity, these include the following balance sheet items: due from banks; loans; mortgages; due to banks; due to customers, other; cash bonds and bonds. The fair value of long-term financial instruments, which have a maturity or a refinancing profile of more than one year, is derived by using the net present-value method.

Trading securities and financial investments
For the majority of the financial instruments in the securities trading portfolio and in the financial investments (see Notes 11 and 12), the fair value corresponds to the market price. The fair value of instruments without a market price is derived by using generally accepted valuation methods.

Derivative financial instruments
The fair value of the derivative financial instruments is derived primarily by using uniform models. If available, the market price is used for derivative instruments.

The table does not include the fair values of non-financial assets and liabilities such as investments in associates, property and equipment, intangible assets, goodwill, accruals and other assets.

28b Financial instruments – Fair value determination

For listed trading portfolio securities and financial investments as well as for exchange-traded derivatives and other financial instruments whose prices are quoted in an active market, the fair value is determined directly from the quoted market prices.

For financial instruments for which quoted market prices are not directly available, fair values are estimated using valuation techniques or models based wherever possible on assumptions supported by observable market prices or rates existing on the balance sheet date. This is the case for the majority of OTC derivatives, most unlisted financial instruments, and other items that are not traded in active markets. The main pricing models and valuation techniques applied include forward pricing and swap models using present value calculations, and option models such as the Black-Scholes models or generalisations of that model. The values derived from applying these models and techniques are significantly impacted by the choice of the valuation model used and the underlying assumptions made, such as the amounts and timing of future cash flows, discount rates, volatility, or credit risk.

For a small portion of financial instruments, neither quoted market prices nor valuation techniques or models based on observable market prices are available for determining the fair value. In these cases, fair value is estimated indirectly using valuation techniques or models based on reasonable assumptions reflecting market conditions.

The following valuation methods are used in determining the fair value of financial instruments carried at fair value:

	Quoted market price *CHF m*	Valuation technique market-observable inputs *CHF m*	Valuation technique non-market-observable inputs *CHF m*	**31.12.2007** Total *CHF m*
Determination of fair values				
Trading assets	2 422.7	217.9	4.3	**2 644.9**
Derivative financial instruments	427.0	2 789.6	365.1	**3 581.7**
Financial investments	1 049.2	9 198.2	142.8	**10 390.2**
Total assets at fair value	**3 898.9**	**12 205.7**	**512.2**	**16 616.8**
Trading liabilities	218.8	252.1	-	**470.9**
Derivative financial instruments	635.6	2 592.0	436.9	**3 664.5**
Financial liabilities designated at fair value	1 187.8	1 332.1	1 576.9	**4 096.8**
Total liabilities at fair value	**2 042.2**	**4 176.2**	**2 013.8**	**8 232.2**

	Quoted market price *CHF m*	Valuation technique market-observable inputs *CHF m*	Valuation technique non-market-observable inputs *CHF m*	31.12.2006 Total *CHF m*
Determination of fair values				
Trading assets	2 137.7	251.1	29.3	2 418.1
Derivative financial instruments	389.0	1 229.2	41.1	1 659.3
Financial investments	1 037.2	7 767.5	29.5	8 834.2
Total assets at fair value	3 563.9	9 247.8	99.9	12 911.6
Trading liabilities	260.3	346.3	-	606.6
Derivative financial instruments	498.3	1 120.0	47.0	1 665.3
Financial liabilities designated at fair value	2 065.2	332.5	980.3	3 378.0
Total liabilities at fair value	2 823.8	1 798.8	1 027.3	5 649.9

Sensitivity of fair values to changing significant assumptions to reasonably possible alternatives

For a portion of financial instruments, the fair value is estimated using valuation techniques based on assumptions that are not supported by observable market prices or rates. The models used in these situations are subject to a detailed internal examination process before they are approved for use.

The potential effect of using reasonable alternative assumptions as inputs to valuation models from which the fair values of these financial instruments are calculated has been quantified as a fair value reduction of approximately CHF 8.1 million (2006: CHF 4.4 million) using less favourable assumptions and an increase of approximately CHF 10.6 million (2006: CHF 3.5 million) using more favourable assumptions at 31 December 2007.

Changes in fair value recognised in profit and loss during the period that were estimated using valuation techniques

Total results from trading operations came to CHF 298.2 million for the 2007 financial year. This figure represents the net result from various products traded across different business activities, including the effect of foreign currency translation, and including both realised and unrealised income. Unrealised income is determined from changes in fair value, using quoted prices in active markets when available, and is otherwise estimated using valuation techniques.

Included in the unrealised portion of the results from trading operations are net losses from changes in fair values of CHF 66.9 million on financial instruments whose fair value was estimated using valuation techniques. These valuation techniques included models such as those described above, which range from relatively simple models based on observable market factors, to more complex models based on assumptions or estimates reflecting market conditions.

The results from trading operations are frequently generated through transactions involving several financial instruments, or subject to hedging or other risk management techniques. This may result in different portions of the transactions being valued using different methods.

Consequently, the changes in fair value recognised in profit or loss during the reporting period that were estimated using valuation techniques represent only a portion of the results from trading operations. In many cases, these amounts were offset by other financial instruments or transactions that were realised or valued using quoted market prices or rates. The amount of such income for 2007, including the effect of foreign currency translation on unrealised transactions, was a gain of CHF 365.1 million. Changes in fair value estimated using valuation techniques are also recognised in profit and loss in situations of unrealised impairments on available-for-sale financial investments.

29 Capital adequacy

The adequacy of the Group's capital is monitored and reported using the framework established by the Bank for International Settlement (BIS). The capital requirements under the rules established by the Swiss regulator, the Swiss Federal Banking Commission (SFBC) ultimately determine the regulatory capital required to underpin the Group's business.

BIS eligible capital consists of two tiers:

- Tier 1 capital consists of share capital, share premium, retained earnings including current year profit, foreign currency translation differences not recognised in the income statement and hybrid Tier 1 capital, less goodwill, expected accrued dividend and net long positions in own shares.

- Tier 2 capital consists primarily of subordinated long-term debt.

Banking operations are categorised as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that are reflecting the varying levels of risk attached to assets and off-balance sheet exposure, i.e. credit risk, market risk, and other risk.

Tier 1 capital is required to be at least 4% and total eligible capital at least 8% of risk-weighted assets. As of 31 December 2007 and 2006, the Group was adequately capitalised under the respective guidelines of both the SFBC and BIS.

	31.12.2006 Notional amount CHF 1000	Risk-weighted CHF 1000	31.12.2007 Notional amount CHF 1000	Risk-weighted CHF 1000
Balance sheet assets				
Due from banks	10 037 630	1 360 058	**12 086 676**	**495 079**
Loans	6 918 199	4 220 893	**12 160 212**	**6 327 630**
Property and equipment and intangible assets	442 555	442 555	**429 858**	**429 858**
Accrued income and prepaid expenses	523 783	431 631	**616 180**	**545 446**
Derivative financial instruments	1 659 344	498 605	**3 581 732**	**941 394**
Other assets	142 473	124 495	**127 753**	**119 248**
Default risk positions[1]	8 811 888	4 162 021	**10 301 717**	**4 553 627**
Market risks in trading[2]	-	890 163	**-**	**876 163**
Off-balance-sheet transactions				
Contingent liabilities	805 742	393 777	**867 934**	**472 688**
Irrevocable commitments	4 884	2 442	**18 884**	**9 442**
Forward contracts and options (add-ons)	134 072 205	282 180	**110 047 433**	**458 215**
Total risk-weighted positions		12 808 820		**15 228 790**
Imputed Tier 1 regulatory capital		2 184 971		**1 961 314**
of which hybrid Tier 1 capital[3]		*225 000*		***225 000***
Imputed Tier 1 and Tier 2 regulatory capital		2 183 361		**1 986 384**
BIS Tier 1 ratio		17.1%		**12.9%**
BIS Tier 1 and 2 ratio		17.0%		**13.0%**

[1] Net long positions in securities and money market instruments in the banking book
[2] Risk-weighted figure calculated by taking 12.5 times the capital adequacy requirement according to the modelling procedure
[3] Hybrid Tier 1 capital represents 13.8% of the core capital of the Group.
The hybrid Tier 1 capital consists of preferred securities issued by Julius Baer Capital (Guernsey) I Limited.

The preferred securities were issued by Julius Baer Capital (Guernsey) I Limited in exchange for a note of Julius Baer Holding Ltd., in the same amount and with mirror conditions. They fundamentally have no maturity and are subordinate to all other borrowings. They have a preference over equity in the payment of dividends and liquidation proceeds, though such dividends and liquidation proceeds will only be paid to the extent that they comply with the banking and corporate regulations applicable to the payouts of Julius Baer Holding Ltd. The preferential dividend right is not cumulative. The preferred securities are fully paid, devoid of any voting rights or rights associated therewith, capable of sustaining losses, unsecured and only repayable at the issuer's option, after an initial period of five years and only with the approval of the regulatory authorities. In compliance with the consolidated equity regulations, the hybrid equity created by the issue of preferred securities is recognised in full as core capital.

30 Companies consolidated as of 31 December 2007

	Place of listing	Capitalisation as of 31.12.07 m	Head Office	Currency	Share capital m
Listed company which is consolidated					
Julius Baer Holding Ltd.	Swiss Exchange Zurich	20 897	Zurich	CHF	11.163
Security number: 2 975 865, Reuters: BAER.VX, Bloomberg: BAER VX					

Unlisted companies which are consolidated

	Head Office	Currency	Share capital m	Equity interest %
Banks				
Bank Julius Baer & Co. Ltd.	Zurich	CHF	575.000	100
Branches in Basle, Berne, Crans-Montana, Geneva, Guernsey,				
Lausanne, Lugano, Lucerne, Sion, Singapore, Verbier, Zug				
Representative Offices in Abu Dhabi, Bogotá, Dubai, Hong Kong, Moscow				
including				
Bank Julius Baer (Singapore) Ltd.	*Singapore*	*SGD*	*25.000*	*100*
Arpese SA	*Lugano*	*CHF*	*0.400*	*100*
Julius Baer Wealth Management (Europe) SA	*Luxembourg*	*CHF*	*0.200*	*100*
including				
- Julius Baer Patrimoine Conseil Sàrl	*Paris*	*EUR*	*0.010*	*100*
Ferrier Lullin Trust Management SA	*Geneva*	*CHF*	*0.050*	*100*
Julius Baer International (Panama) Ltd.	*Panama City*	*CHF*	*1.387*	*100*
including				
Julius Baer Bank & Trust (Bahamas) Ltd.	*Bahamas*	*CHF*	*2.000*	*100*
including				
Julius Baer Trust Company (Bahamas) Ltd.	*Bahamas*	*CHF*	*2.000*	*100*
Bank Julius Bär (Deutschland) AG	Frankfurt	EUR	15.000	100
Branches in Duesseldorf, Hamburg, Stuttgart				
including				
Julius Bär Capital GmbH	*Frankfurt*	*EUR*	*0.024*	*100*
Julius Baer Bank and Trust Company Ltd.	Grand Cayman	CHF	20.000	100
including				
Julius Baer Trust Company (Cayman) Ltd.	*Grand Cayman*	*CHF*	*1.000*	*100*
including				
- Baer Select Management Ltd.	*Grand Cayman*	*USD*	*0.0001*	*100*
- C.I. Directors Ltd.	*Grand Cayman*	*USD*	*0.020*	*100*
Directorate Inc.	*Tortola, BVI*	*USD*	*0.020*	*100*

	Head Office	Currency	Share capital m	Equity interest %
Finance companies				
Julius Baer Invest Ltd.	Zurich	CHF	10.250	100
including				
Julius Baer Investment Funds Services Ltd.	*Zurich*	*CHF*	*1.200*	*100*
Julius Baer Italia Investment Funds Services S.r.l.	*Milan*	*EUR*	*0.050*	*100*
Julius Baer (Luxembourg) SA	*Luxembourg*	*EUR*	*2.125*	*100*
Julius Baer Multistock Advisory Ltd.	*Luxembourg*	*EUR*	*0.075*	*100*
Julius Baer Multibond Advisory Ltd.	*Luxembourg*	*EUR*	*0.075*	*100*
Julius Baer Multicash Advisory Ltd.	*Luxembourg*	*EUR*	*0.075*	*100*
Julius Baer Multipartner Advisory Ltd.	*Luxembourg*	*EUR*	*0.075*	*100*
Julius Baer Multiinvest Advisory Ltd.	*Luxembourg*	*EUR*	*0.075*	*100*
Julius Baer Strategy Fund Advisory Ltd.	*Luxembourg*	*EUR*	*0.075*	*100*
Julius Baer Multiselect Advisory Ltd.	*Luxembourg*	*EUR*	*0.075*	*100*
Julius Baer Multicooperation Advisory Ltd.	*Luxembourg*	*EUR*	*0.075*	*100*
Julius Baer Multifund Advisory Ltd.	*Luxembourg*	*EUR*	*0.075*	*100*
Julius Baer Sicav II Advisory Ltd.	*Luxembourg*	*EUR*	*0.075*	*100*
Julius Baer Multiopportunities Advisory Ltd.	*Luxembourg*	*EUR*	*0.075*	*100*
Julius Baer SGR S.p.A.	*Milan*	*EUR*	*2.000*	*100*
Julius Baer International Ltd.	London	GBP	11.300	100
Infidar Investment Advisory Ltd.	Zurich	CHF	1.000	86 [1]
including				
Infidar (Liechtenstein) AG	*Vaduz*	*CHF*	*0.100*	*100*
Julius Baer Americas Inc.	New York	USD	0.400	100
including				
Julius Baer Investment Management LLC	*New York*	*USD*	*0.100*	*100*
Representative Offices in Los Angeles, Toronto				
Julius Baer Financial Markets LLC	*New York*	*USD*	*0.100*	*100*
Julius Bär Kapital AG	Frankfurt	EUR	2.600	100

[1] Remainder: stakes held by management, not entitled to dividends

	Head Office	Currency	Share capital *m*	Equity interest *%*
Finance companies				
Julius Baer (Middle East) Ltd.	Dubai	USD	22.000	100
Ursa Company Ltd.	Grand Cayman	CHF	0.500	100
Julius Baer Family Office Ltd.	Zurich	CHF	0.100	100
BCT Services Ltd.	Zug	CHF	0.100	100
JB Swiss Capital Market Research Ltd.	Zurich	CHF	0.100	100
Julius Baer Trust Company (Channel Islands) Ltd.	Guernsey	CHF	0.100	100
Julius Baer Fiduciaria S.r.l.	Milan	EUR	0.100	100
Julius Baer Investment Advisory GesmbH	Vienna	EUR	0.050	100
Baer Alternative Solutions Ltd.	Guernsey	USD	0.050	100
Julius Baer Capital (Guernsey) I Limited	Guernsey	CHF	0.000	100
Cantrade Trustee AG	Zurich	CHF	0.100	100
including				
Bronte International SA	*BVI*	*USD*	*0.000*	*100*
Cantrade Corporate Directors Ltd.	*BVI*	*USD*	*0.000*	*100*
Julius Baer Trust Company (New Zealand) Limited	Auckland	CHF	0.005	100
Cantrade Trust Company (Cayman) Ltd.	Grand Cayman	CHF	0.800	100
Julius Baer Financial Consultancy SA	Buenos Aires	USD	0.400	100
Julius Baer (Hong Kong) Limited	Hong Kong	HKD	130.000	100
Julius Baer (Uruguay) S.A.	Montevideo	USD	0.537	100
Julius Baer Consultores	Mexico City	USD	1.000	100
PT Julius Baer Advisors (Indonesia)	Jakarta	USD	0.051	100
SIM (Società di intermediazione mobiliare)	Milan	EUR	2.500	100
Julius Baer (Monaco) S.A.M.	Monaco	EUR	0.465	100

	Head Office	Currency	Share capital m	Equity interest %
Finance companies				
GAM Holding AG	Zurich	CHF	50.000	100
including				
GAM (Schweiz) AG	*Zurich*	*CHF*	*1.000*	*100*
including				
- GAM Anlagefonds AG	*Zurich*	*CHF*	*1.000*	*100*
- GAM Ltd.	*Bermuda*	*USD*	*2.020*	*100*
including				
- GAM Dubai Ltd.	*Dubai*	*USD*	*0.350*	*100*
GAM (UK) Ltd.	*London*	*GBP*	*1.000*	*100*
including				
- GAM International Management Ltd.	*London*	*GBP*	*2.250*	*100*
- GAM London Ltd.	*London*	*GBP*	*2.025*	*100*
- GAM Sterling Management Ltd.	*London*	*GBP*	*0.050*	*100*
GAM Administration Ltd.	*Isle of Man*	*GBP*	*0.100*	*100*
GAM Fonds Marketing GmbH	*Berlin*	*EUR*	*0.026*	*100*
GAM Fund Management Ltd.	*Dublin*	*EUR*	*0.127*	*100*
GAM Singapore Pte Ltd.	*Singapore*	*SGD*	*4.600*	*100*
including				
- GAM Hong Kong Ltd.	*Hong Kong*	*HKD*	*5.000*	*100*
- GAM Japan Limited	*Tokyo*	*JPY*	*500.000*	*100*
GAM USA Inc.	*Wilmington/USA*	*USD*	*6.817*	*100*
including				
- GAM Services Inc.	*Wilmington/USA*	*USD*	*0.660*	*100*
including				
- GAM Funding Inc.	*Wilmington/USA*	*USD*	*0.010*	*100*
Real estate company				
Aktiengesellschaft, formerly Waser Söhne & Cie., Werdmühle, Altstetten	Zurich	CHF	2.260	100
Foundation				
Loteco Foundation	Zurich	CHF	0.100	100
GAM Employee Benefit Trust	Jersey	GBP	0.030	100
Associates				
Atlas Capital Patrimonio SL.	Madrid	EUR	1.224	20
PortfolioNet Ltd.	Zurich	CHF	0.100	20

Changes in the companies consolidated:

Julius Baer Investments Ltd., London, sold to the management of Julius Baer Investments Ltd.
Ehinger & Armand von Ernst Fund Management Company S.A., liquidated as of 20 March 2007
Bank Julius Baer & Co. Ltd., Singapore (a branch of Bank Julius Baer & Co. Ltd., Zurich), new
SIM (Società di intermediazione mobiliare), Milano, new
Julius Baer Trust Company (New Zealand) Ltd., Auckland, new
Julius Baer (Uruguay) S.A., Montevideo, new
Julius Baer Consultores, Mexico City, new
PT Julius Baer Advisors (Indonesia), Jakarta, new
GAM Dubai Limited, Dubai, new
Julius Baer (Monaco) S.A.M., Monaco, acquired on 4 October 2007

31 Acquisitions and sales

Acquisition

On 4 October 2007, Julius Baer acquired Capital Invest (Monaco) S.A.M., now named Julius Baer (Monaco) S.A.M., Monaco. At the time of acquisition, the assets under management amounted to CHF 331 million.

The assets and liabilities of the acquired entity were recorded as follows:

	Book value *CHF 1000*	Step-up to fair value *CHF 1000*	Fair value *CHF 1000*
Assets			
Financial investments	691	-	691
Property and equipment	349	-	349
Goodwill	-	15 921	15 921
Intangible assets	-	2 190	2 190
All other assets	1 805	-	1 805
Total	2 845	18 111	20 956
Liabilities and equity			
All other liabilities	402	-	402
Total liabilities	402	-	402
Equity	2 443	18 111	20 554
Total	2 845	18 111	20 956

The intangible assets recognised here consist of CHF 2.19 million for the existing client relationships of the entity, which are amortised over an expected useful life of ten years.

Sale of subsidiary

Julius Baer Holding Ltd. sold on 11 January 2007 its shares in Julius Baer Investments Ltd., London, to the management of Julius Baer Investments Ltd. and deconsolidated the company effective as of this date. The purchase price will be based on expected future cash flows from the business of Julius Baer Investments Ltd., now named Augustus Asset Managers Limited, and will be settled through future dividend payments, as well as possible proceeds from sales or transfers of shares to third parties. As a result, Julius Baer Holding Ltd. did not realise a profit on the disposal and did in fact not derecognise the shares as it retains substantially all rights in future cash flows of and all risks and rewards in Augustus Asset Managers Limited. The shares have been reclassified to financial investments.

32 Share-based payments

Equity Participation Programmes
The Compensation Committee of the Board of Directors is responsible for determining and making changes to all of the Equity Participation Programmes. The programmes described in detail below reflect the situation as of 31 December 2007. The registered shares of Julius Baer Holding Ltd. required for the Equity Participation Programmes are procured in the market.

Staff Participation Plan
Within the integration and harmonisation process, a newly defined Staff Participation Plan was approved. It came into force on 1 January 2007 and grants the employees – depending on the function level/rank – the right to purchase registered shares of Julius Baer Holding Ltd. at a discount that is defined every year. During the transition period 2006, no Staff Participation Plan was offered. The offer price for the 2007 Staff Participation Plan was 25% below the average weighted market value of the registered shares for the period from 20 February until 23 February 2007.

Equity Bonus Plan
Up to 2006, Senior Management had the possibility to choose to have part or all of their bonus paid out in the form of Julius Baer Holding Ltd. registered shares and/or options on such registered shares at market price. The shares and options acquired in this way are subject to a sales restriction period. The Equity Bonus Plan was cancelled end of 2006.

Long-Term Incentive Plans
The Long-Term Incentive Plans of the Group are aimed at employees who have a significant influence on the Group's long-term development and financial results as well as at the members of the Board of Directors. The purpose of the Incentive Plans is to strengthen the long-term commitment to the Group and to foster interdisciplinary teamwork in that the entitled employees are granted Julius Baer Holding Ltd. registered shares and/or options on such registered shares or exceptionally equity instruments of a Group subsidiary, e.g. GAM, whose value depends, among other things, on the long-term success of the organisation as a whole or exceptionally on the long-term success of the respective Group subsidiary.

In line with the objectives of the plans, the shares and options are tied to a vesting and forfeiture clause. Only after expiration of the vesting period are employees entitled to the registered shares and/or options, provided that said employees are in ongoing employment (forfeiture clause) and that the other conditions of the plans are met. The shares and options acquired in this way are subject to a sales restriction period. Until expiration of the vesting period, the Loteco Foundation and the GAM Employee Benefit Trust manage the shares and options that have been allotted to the beneficiaries within the scope of the Long-Term Incentive Plans. The Loteco Foundation and the GAM Employee Benefit Trust hedge their liabilities from the Long-Term Incentive Plans on allocation date through purchase of the corresponding shares and/or options. The financing of these shares and/or options is carried out by the respective employer companies. The treasury shares recorded in the consolidated statement of changes in equity serve solely to hedge the liabilities from the Long-Term Incentive Plans.

Movements in shares granted under various participation plans are as follows:

	31.12.2006 [1]	31.12.2007
Staff Participation Plan		
Number of shares taken up	-	**236 238**
Preferential price per share (CHF)	-	**61.65** [2]
Compensation expense (CHF 1000)	-	**4 855**

[1] During the 2006 financial year, no Staff Participation Plan was offered to the employees.
[2] The preferential price was 25% below the weighted average market value for the period from 20 February until 23 February 2007.

	31.12.2006	31.12.2007 [2]
Equity Bonus Plan		
Number of shares taken up	60 248	-
Purchase price per share (CHF)	55.00 [1]	-
Number of options taken up	192 230	-
Exercise price (CHF)	55.00 [1]	-

[1] Weighted average market value for the period from 31 January until 2 March 2006
[2] During the 2007 financial year, no Equity Bonus Plan was offered to the employees.

Bonuses paid in the form of shares are recognised in the year in which the corresponding service is performed. Bonuses paid in the form of options which can be cash-settled are also recognised in the year in which the service is performed, and until realisation (sale or exercise) these options are recognised in the balance sheet as a liability at fair value. The compensation expense recognised for the financial year amounted to CHF 2.0 million (2006: CHF 5.8 million).

Shares Long-Term Incentive Plan	31.12.2006	31.12.2007
Unvested shares outstanding, at the beginning of the year	2 406 414	**1 938 674**
Shares awarded during the year	589 016	**76 016**
Vested during the year	-957 494	**-949 361**
Forfeited during the year	-99 262	**-42 506**
Unvested shares outstanding, at the end of the year	1 938 674	**1 022 823**
Weighted average fair value per share awarded (CHF)	54.12	**84.74**
Fair value of outstanding shares at the end of the year (CHF 1000)	130 085	**95 736 233**

Movements in options granted under various participation plans are as follows:

Equity Bonus Plan	Number of options	31.12.2006 Weighted average exercise price CHF	Number of options	**31.12.2007** Weighted average exercise price CHF
Outstanding, at the beginning of the year	837 090	42.38	**597 130**	**36.99**
Granted during the year	192 230	55.00	-	-
Exercised during the year	-356 090	- [1]	**-168 220**	**19.51**
Expired unexercised	-76 100	66.54	-	-
Outstanding, at the end of the year	597 130	36.99	**428 910**	**43.83**
of which exercisable, at the end of the year	*1 890*	*44.05*	-	-

[1] Sale of options to market maker (cash settlement)

	Options outstanding			Options exercisable	
Fair Value/Option	Number of options outstanding	Exercise price CHF	Remaining contractual life years	Number of options exercisable	Exercise price CHF
CHF 70.57	**120 950**	**34.52**	**1.3**	**-**	**-**
CHF 70.16	**115 730**	**34.99**	**2.3**	**-**	**-**
CHF 42.46	**192 230**	**55.00**	**3.3**	**-**	**-**

Options – Long-Term Incentive Plan	Number of options	31.12.2006 Weighted average exercise price CHF	Number of options	**31.12.2007** Weighted average exercise price CHF
Outstanding, at the beginning of the year	1 572 260	35.30	**715 904**	**29.97**
Granted during the year	-	-	**1 595 735**	**91.20**
Exercised during the year	-756 080	- [1]	**-503 787**	**33.36**
Expired unexercised	-67 000	61.03	-	-
Forfeited during the year	-33 276	28.47	**-6 794**	**28.72**
Outstanding, at the end of the year	715 904	29.97	**1 801 058**	**84.04**
of which exercisable, at the end of the year	*589 240*	*30.23*	***205 323***	***28.41***

[1] Sale of options to market maker (cash settlement)

	Options outstanding			Options exercisable	
Fair Value/Option	Number of options outstanding	Exercise price CHF	Remaining contractual life years	Number of options exercisable	Exercise price CHF
CHF 78.45	**45 790**	**27.36**	**0.6**	**45 790**	**27.36**
CHF 77.23	**159 533**	**28.72**	**1.7**	**159 533**	**28.72**
CHF 18.63	**1 595 735**	**91.20**	**3.0**	**-**	**-**

The compensation expense recognised for the Long-Term Incentive Plans amounted to CHF 48.0 million (2006: CHF 61.6 million).

33 Assets under management

Assets under management include all client assets managed by or deposited with the Group for investment purposes. Assets included are mainly portfolios of Private Banking clients with discretionary and advisory mandates, managed institutional assets and assets in own-managed collective investment schemes. Assets deposited with the Group held purely for transactional or safekeeping/custody purposes, and where the Group does not offer advice on how the assets should be invested are excluded from assets under management. In general, transactional or safekeeping/custody assets belong to banks, brokers, securities traders, custodians, or certain institutional investors. Non-bankable assets (e.g. art collections, real estate), asset flows driven more by liquidity requirements than investment purposes or assets primarily used for cash management, funding or trading purposes are also not considered assets under management. Reclassifications between assets under management and assets held for transactional or safekeeping/custody purposes result in corresponding net new money in- or outflows.

Assets with discretionary mandate are defined as those where the Group decides on how a client's assets are invested. Other assets under management are those where the investment decision is taken by the client him/herself. When a single product is created in one organisational unit and sold in another, it is counted in both the investment management unit and the one that distributes it. This results in a double counting within the total assets under management, as both organisational units are providing a service independently to their respective clients, and both add value and generate revenue.

Net new money is calculated through the direct method, which is based on individual client transactions. New or repaid loans and related interest expenses result in net new money inflows. Interest and dividend income from assets under management, market or currency movements as well as fees and commissions are not included in the net new money result. Effects resulting from any acquisition or divestment of a Group subsidiary or business are stated separately.

Assets under management are stated according to the Guidelines of the Swiss Federal Banking Commission governing financial statement reporting.

	2006 *CHF m*	**2007** *CHF m*	Change *%*
Assets in own-managed collective investment schemes	147 224	**168 057**	14.2
Assets with management mandate	101 218	**108 832**	7.5
Other assets under management	112 278	**128 185**	14.2
Total assets under management (including double counting)	360 720	**405 074**	12.3
of which double counting	*35 645*	***38 342***	*7.6*
Change through net new money	26 809	**35 496**	32.4
Change through market appreciation	29 589	**13 210**	-55.4
Change through acquisition[1]	-	**331**	-
Change through divestment[2]	-	**-4 683**	-

[1] On 4 October 2007, the Group acquired Capital Invest (Monaco) S.A.M., now named Julius Baer (Monaco) S.A.M., Monaco.
[2] As of 11 January 2007, the Group sold its UK-based subsidiary Julius Baer Investments Ltd. to the management.

Assets in own-managed collective investment schemes

This item covers the assets of all actively marketed collective investment schemes of the Group.

Assets with management mandate

The calculation of assets with discretionary mandate takes into account client deposits as well as market values of securities, precious metals, and fiduciary investments placed at third-party institutions. The information covers both assets deposited with Group companies and assets deposited at third-party institutions for which the Group companies hold a discretionary mandate.

Other assets under management

The calculation of other assets under management takes into account client deposits as well as market values of securities, precious metals, and fiduciary investments placed at third-party institutions. The information covers assets for which an advisory or administrative mandate is exercised.

Double counting

This item covers mainly collective investment scheme units from own-managed collective investment schemes that are included in client assets with discretionary mandate or other assets under management.

Net new money

This item consists of new client acquisitions, client departures and in- or outflows attributable to existing clients.

Breakdown of assets under management

	2006 %	**2007** %
By types of investment		
Equities	40	**41**
Bonds (including convertible bonds)	19	**18**
Money market instruments	7	**7**
Third-party funds	19	**19**
Client deposits	4	**6**
Other[1]	11	**9**
Total	100	**100**

[1] Including non-categorised, own-managed collective investment schemes

By currencies		
CHF	19	**19**
EUR	33	**32**
GBP	9	**8**
USD	26	**28**
JPY	4	**3**
Other	9	**10**
Total	100	**100**

34 Requirements of Swiss banking law

The Group is subject to supervision by the Swiss Federal Banking Commission, which requires Swiss-domiciled banks using International Financial Reporting Standards (IFRS) as their primary accounting standard to provide a narrative explanation of the major differences between IFRS and Swiss GAAP. Swiss GAAP is ruled by the principal provisions of the Banking Ordinance and the Guidelines of the Swiss Federal Banking Commission governing financial statement reporting.

The following main differences exist between IFRS and Swiss GAAP (true and fair view):

Under IFRS, realised gains and losses on financial assets that are valued at amortised cost and that are sold or repaid prior to the final maturity are recorded immediately in the income statement. Under Swiss GAAP, such gains and losses are amortised to the stated maturity of the financial assets sold or prepaid. In addition, changes in the fair value of available-for-sale financial investments are directly recognised in equity under IFRS. Under Swiss GAAP, such investments are recorded at the lower of cost or market, with changes in value where required recorded in the income statement.

Under IFRS, all income and expenses are attributed to ordinary business operations. Under Swiss GAAP, certain income and expenses are classified as extraordinary, e.g. if they are from non-operating transactions or are non-recurring.

Under IFRS, treasury shares are deducted from equity in the balance sheet. Gains or losses resulting from treasury shares are not recorded in the income statement but are directly set off against equity. Under Swiss GAAP, treasury shares not held for trading purposes are included in the position financial investments in the balance sheet and correspondingly separated into a reserve for treasury shares. Gains or losses resulting from the sale of treasury shares are recorded in the income statement.

Under IFRS, goodwill is not amortised but must be tested for impairment annually and a write-off is made if the recoverable amount is less than the carrying amount. Under Swiss GAAP, goodwill is amortised over its useful life, generally not exceeding 5 years (in justified cases up to 20 years), and tested for impairment.

Under IFRS, intangible assets with indefinite lives are not amortised but tested for impairment on an annual basis. Under Swiss GAAP, such intangible assets are amortised over the useful lives up to a maximum of five years, and tested for impairment.

Under IFRS, assets and liabilities of an entity held-for-sale are separated from the ordinary balance sheet positions and reported in separate discontinued operations items. In addition, such assets and liabilities are remeasured at the lower of their carrying value or fair value less cost to sell. Under Swiss GAAP, these positions remain in the ordinary balance sheet positions until disposal and are not remeasured.

With the exception of the CHF 1 276.6 million of treasury shares deducted from the equity capital in the consolidated financial statements in accordance with IFRS, these differences between the requirements of IFRS and Swiss GAAP are not material for the consolidated financial statements.

35 Events after the balance sheet date

There are no events to report that had an influence on the balance sheet or the income statement for the 2007 financial year.

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Report of the Group Auditors to the General Meeting of

Julius Baer Holding Ltd., Zurich

As group auditors, we have audited the consolidated financial statements (income statement, balance sheet, statement of changes in equity, cash flow statement and notes / pages 31 to 107) of Julius Baer Holding Ltd. for the year ended 31 December 2007.

These consolidated financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards and with the International Standards on Auditing (ISA), which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG Ltd

Daniel Senn
Swiss Certified Accountant
Auditor in Charge

Swen Wyssbrod
Swiss Certified Accountant

Zurich, 6 February 2008

Financial Report of Julius Baer Holding Ltd. 2007

Income statement

	2006 *CHF 1000*	**2007** *CHF 1000*	Change *CHF 1000*	Change *%*
Income				
Interest income	14 792	**24 324**	9 532	64.4
Interest expense	21 537	**26 561**	5 024	23.3
Net interest income	-6 745	**-2 237**	4 508	-66.8
Commission income on services	5 086	**564**	-4 522	-88.9
Commission expense	141	**157**	16	11.3
Results from commission and service fee activities	4 945	**407**	-4 538	-91.8
Income from securities	984	**-**	-984	-100.0
Income from participations	634 933	**844 091**	209 158	32.9
Other ordinary results	45 927	**63 842**	17 915	39.0
Operating income	680 044	**906 103**	226 059	33.2
Expenses				
Personnel expenses	48 424	**62 726**	14 302	29.5
General expenses	17 640	**17 108**	-532	-3.0
Operating expenses	66 064	**79 834**	13 770	20.8
Gross profit	613 980	**826 269**	212 289	34.6
Depreciation	879	**630**	-249	-28.3
Extraordinary income	547	**-**	-547	-100.0
Taxes	2 517	**9 666**	7 149	284.0
Net profit	611 131	**815 973**	204 842	33.5

Balance sheet

	31.12.2006 *CHF 1000*	**31.12.2007** *CHF 1000*	Change *CHF 1000*	Change *%*
Assets				
Current assets				
Due from banks	100 465	**110 786**	10 321	10.3
Due from customers	8 512	**6 282**	-2 230	-26.2
Securities	-	**1 649**	1 649	100.0
Other claims	14 254	**14 261**	7	0.0
Accrued income and prepaid expenses	619 050	**196 226**	-422 824	-68.3
Other assets	40 526	**18 379**	-22 147	-54.6
Non-current assets				
Participations	5 899 956	**6 035 801**	135 845	2.3
Other financial investments	300 000	**314 842**	14 842	4.9
Treasury shares	-	**1 096 059**	1 096 059	100.0
Intangible assets	-	**74**	74	100.0
Total assets	6 982 763	**7 794 359**	811 596	11.6
Due from Group companies	407 316	**417 068**	9 752	2.4
Liabilities and equity				
Liabilities				
Due to banks	300 000	**536 143**	236 143	78.7
Debt issued	525 000	**375 000**	-150 000	-28.6
Accrued expenses and deferred income	41 910	**47 670**	5 760	13.7
Other liabilities	400	**15 748**	15 348	3 837.0
Equity				
Share capital	11 163	**11 163**	-	-
General legal reserve	4 852 508	**4 852 508**	-	-
Reserve for treasury shares	-	**1 096 059**	1 096 059	100.0
Other reserves	632 141	**36 083**	-596 058	-94.3
Disposable profit	619 641	**823 985**	204 344	33.0
of which retained earnings	*8 510*	***8 012***	*-498*	*-5.9*
of which net profit	*611 131*	***815 973***	*204 842*	*33.5*
Total liabilities and equity	6 982 763	**7 794 359**	811 596	11.6
Due to Group companies	225 000	**261 143**	36 143	16.1

Notes

	31.12.2006 *CHF 1000*	**31.12.2007** *CHF 1000*	Change *CHF 1000*	Change *%*
Contingent liabilities				
Surety and guarantee obligations and assets pledged in favour of third parties	74 155	**151 660**	77 505	104.5

Financial investments

Financial investments are valued at fair value. Unrealised gains and losses are recorded in other ordinary results.

Participations

Please see consolidated financial statements, pages 97 to 100. Participation income from subsidiaries is recorded based on an economic standpoint, i.e. at the same time that the corresponding income is recorded at the subsidiary.

Outstanding bonds

Please see consolidated financial statements, page 77.

Conditional capital

	Registered shares (CHF 0.05 par)	
Conditional capital	*Number*	*CHF 1000*
For warrant and convertible bonds		
Resolution of the Ordinary Shareholders' Meeting on 24.06.1993	10 000 000	**500**

General legal reserve

A residual tax expense for the capital increase in 2005 was netted against the corresponding premium in 2006.

Treasury shares

In the statutory financial statements of Julius Baer Holding Ltd., a reserve for treasury shares, comprising all treasury shares held in the financial investments of Julius Baer Holding and its subsidiaries, is stated in equity in accordance with Article 663b, paragraph 1, section 10 of the Swiss Code of Obligations.

As part of the share buy-back programme, Julius Baer Holding Ltd. bought 12 222 222 shares at an average price of CHF 89.66. The figures also correspond to the closing balance.

Compliant with the corresponding provisions of the Swiss Code of Obligations and the Banking Ordinance, the shares of Julius Baer Holding Ltd. held in the trading portfolio of Bank Julius Baer & Co. Ltd. are not included in this reserve. These shares serve merely to hedge written options. The applicable conditions for purchasing treasury shares as a means of protecting shareholders' equity are not affected by this (barring the return of contributions, Article 680, paragraph 2 of the Swiss Code of Obligations).

Significant shareholders

Based on notifications reported to and received by Julius Baer Holding Ltd., each of the following shareholders held more than 3% of the voting rights of Julius Baer Holding Ltd. as of 31 December 2007:

Shareholder or nominee	Percentage of voting rights at time of notification
Julius Baer Holding Ltd.[1]	6.14%
Wellington Management Company LLP[2]	6.01%
Davis Selected Advisers L.P.[3]	5.45%
FMR LLC (formerly FMR Corp.)[4]	5.05%
AXA Group[5]	4.02%
Fidelity International Limited[6]	3.32%

[1] Julius Baer Holding Ltd., Zurich/Switzerland, as well as Bank Julius Baer & Co. Ltd., Zurich/Switzerland, and Loteco Foundation c/o Julius Baer Holding Ltd., Zurich/Switzerland (reported on 3 July 2007). This position includes 12 222 222 own shares bought back from UBS AG to be cancelled immediately after approval by the Annual General Meeting scheduled for 15 April 2008.

[2] Wellington Management Company LLP, Boston/USA, on behalf of clients (reported on 3 July 2007)

[3] Davis Selected Advisers L.P., Tucson/USA, on behalf of clients and in investment funds (reported on 31 December 2006)

[4] FMR LLC (formerly FMR Corp.), “Fidelity”, Boston/USA, and its directly and indirectly controlled subsidiaries, on behalf of clients (reported on 13 March 2007)

[5] AXA Group, Paris/France, via group companies AXA S.A., Paris/France, AllianceBernstein L.P., New York/USA, AXA Investment Managers S.A., Paris/France, and AXA Rosenberg Investment Management Ltd., London/England (reported on 22 January 2008 with reference to status as of 1 December 2007)

[6] Fidelity International Limited, Hamilton/Bermuda, and its directly and indirectly controlled subsidiaries, on behalf of clients (reported on 12 December 2007)

Compensation, loans and share- and option holdings of the Board of Directors and Senior Management

	Base pay CHF	Performance payment CHF	Share-based awards [2] CHF	Pension fund contribution and varia CHF	2007 Total CHF
Compensation for the members of the Board of Directors					
Raymond J. Baer – Chairman[1]	**1 422 200**	**2 250 000**	**918 000**	**106 704**	**4 696 904**
Georges Gagnebin – Vice Chairman[1]	**476 000**	**250 000**	**-**	**112 896**	**838 896**
Peter Kuepfer	**170 000**	**-**	**-**	**8 585**	**178 585**
Paul Embrechts	**120 000**	**-**	**-**	**6 060**	**126 060**
Rolf P. Jetzer	**130 000**	**-**	**663 000**	**6 565**	**799 565**
Gareth Penny	**120 000**	**-**	**663 000**	**6 873**	**789 873**
Monika Ribar Baumann	**120 000**	**-**	**663 000**	**6 060**	**789 060**
Daniel J. Sauter	**170 000**	**-**	**663 000**	**9 377**	**842 377**
Béatrice Speiser	**120 000**	**-**	**-**	**6 060**	**126 060**
Charles G. T. Stonehill	**150 000**	**-**	**-**	**7 575**	**157 575**
Total	**2 998 200**	**2 500 000**	**3 570 000**	**276 755**	**9 344 955**

[1] The Chairman and the Vice Chairman have a full-time employment relationship.

[2] Share-based awards to members of the Board of Directors (excl. the Chairman and Vice Chairman) are made in the year of election and/or re-election and for the entire term (normally 3 years). In 2007, Monika Ribar Baumann and Rolf P. Jetzer have been re-elected to the Board of Directors for a three-year term.
Gareth Penny and Daniel J. Sauter have been elected to the Board of Directors in 2007 for a three-year term.
The share-based awards are valued at fair value at the time of grant (= CHF 85 per share as of 30 April 2007).

The value of the share-based awards cannot be compared with Note 32 Share-based payments of the Financial Report Group 2007 as the latter discloses the compensation expense for the shares and/or options that have been recognised during the reporting periods.

The members of the Board of Directors are only entitled to the granted shares and/or options provided that they fulfil the entire term for which they have been elected or re-elected (forfeiture clause).

No compensation has been granted to closely linked parties of members of the Board of Directors.

No former member of the Board of Directors has been compensated in 2007.

		31.12.2007
	Loans *CHF*	Loans to closely linked parties *CHF*
Loans to the members of the Board of Directors		
Raymond J. Baer – Chairman	**12 731 184**	-
Georges Gagnebin – Vice Chairman	-	-
Peter Kuepfer	-	-
Paul Embrechts	**655 000**	-
Rolf P. Jetzer	-	-
Gareth Penny	-	-
Monika Ribar Baumann	**2 744 873**	-
Daniel J. Sauter	-	**13 755 250**
Béatrice Speiser	**1 505 563**	-
Charles G. T. Stonehill	-	**1 350**
Total	**17 636 620**	**13 756 600**

The loans granted to members of the Board of Directors consist of lombard loans on a secured basis (through pledging of securities portfolios) and mortgage loans on a fixed and variable rate basis.

The interest rates of the lombard loans and mortgage loans are in line with normal market rates at the time the loans are granted, though the members of the Board of Directors are granted a discount of 1% for fixed mortgages, and variable mortgages are granted at the refinancing rate plus 0.5%.

No loans to former members of the Board of Directors (and their closely linked parties) are outstanding at year-end 2007 or have been granted in 2007 at conditions that were not at market.

Members of the Board of Directors benefit from preferential staff conditions for transactions (e.g. in securities) executed in-house.

				31.12.2007
	Number of shares	Number of options (all option holdings are call options)		
		Exercise prices CHF		Maturity
		20-30	30-40	
Share and option holdings of the members of the Board of Directors[1]				
Raymond J. Baer – Chairman	**1 439 831**	**14 560**	**45 860**	**31.08.09/31.03.09, 31.03.10**
Georges Gagnebin – Vice Chairman	**89 660**	-	-	
Peter Kuepfer	**143 715**	-	-	
Paul Embrechts	**14 014**	**8 000**	-	**22.07.08**
Rolf P. Jetzer	**10 722**	-	-	
Gareth Penny	**1**	-	-	
Monika Ribar Baumann	**8 532**	**17 470**	-	**31.08.09**
Daniel J. Sauter	**23 720**	-	-	
Béatrice Speiser	**282 224**	**4 000**	-	**22.07.08**
Charles G. T. Stonehill	**2 600**	-	-	
Total	**2 015 019**	**44 030**	**45 860**	

[1] Including share and option holdings of closely linked parties

					2007
	Base pay *CHF*	Performance payment *CHF*	Share-based awards [1] *CHF*	Pension fund contribution and varia *CHF*	**Total** *CHF*
Compensation of the members of the Senior Management					
Total	**3 402 700**	**8 652 000**	**1 495 479**	**336 408**	**13 886 587**
of which highest paid: Johannes A. de Gier, Group Chief Executive Officer	1 976 000	6 000 000	-	117 387	**8 093 387**

					2007
	Base pay *CHF*	Performance payment *CHF*	Share-based awards [1] *CHF*	Pension fund contribution and varia *CHF*	**Total** *CHF*
Compensation of the former *members of the Senior Management					
Total	**4 503 345**	**12 024 188**	**138 196**	**605 536**	**17 271 265**

*Members who left the Senior Management in 2007 or earlier

[1] The value of the share-based awards cannot be compared with Note 32 Share-based payments of the Financial Report Group 2007 as the latter discloses the compensation expense for the shares and/or options that have been recognised during the reporting periods.
The members of the Senior Management are only entitled to the granted shares and/or options provided that they fulfil the vesting conditions.
The share-based awards are valued at fair value at the time of grant (= CHF 17.32 per option on Julius Baer shares as of 13 November 2007).

No compensation has been granted to closely linked parties of members of the Senior Management or former members of the Senior Management.

The total figure of CHF 17 271 265 contains payments of CHF 221 000 (CHF 71 000 base pay/CHF 150 000 performance payment) to former members of the Senior Management who left Senior Management in 2006 or earlier.

	31.12.2007 Loans CHF	Loans to closely linked parties CHF
Loans to the members of the Senior Management		
Total	**1 200 000**	-
of which		
Johannes A. de Gier, Group Chief Executive Officer	-	-

The loans granted to the Senior Management consist of lombard loans on a secured basis (through pledging of securities portfolios) and mortgage loans on a fixed and variable rate basis.

The interest rates of the lombard loans and mortgage loans are in line with normal market rates at the time the loans are granted, though employees of the Group are granted a discount of 1% for fixed mortgages, and variable mortgages are granted at the refinancing rate plus 0.5%.

No loans to former members of the Senior Management (and their closely linked parties) are outstanding at year-end 2007 or have been granted in 2007 at conditions that were not at market.

Members of the Senior Management benefit from preferential staff conditions for transactions (e.g. in securities) executed in-house.

31.12.2007	Number of shares	Number of options (all option holdings are call options) Exercise prices CHF	Maturity
Share and option holdings of the members of the Senior Management[1]			
Johannes A. de Gier, Group Chief Executive Officer	**1 229 784**	-	
Dieter A. Enkelmann, Group Chief Financial Officer	**15 244**	-	
Bernhard Hodler, Group Chief Risk Officer	**26 462**	-	
Scott Sullivan, Group General Counsel	-	-	
Total	**1 271 490**	-	

[1] Including share and option holdings of closely linked parties

Proposal of the Board of Directors to the Annual General Meeting on 15 April 2008

The Board of Directors proposes to the Annual General Meeting that the disposable profit for the 2007 financial year of CHF 823 985 357, consisting of net profit for the financial year in the amount of CHF 815 973 000 plus CHF 8 012 357 of retained earnings brought forward from the prior financial year, be distributed as follows:

- Dividend of CHF 0.50
  per registered share at CHF 0.05 par value

- Total dividends on the 211 034 256 shares entitled to dividends:
  CHF 105 517 128

- Allocation to other reserves:
  CHF 710 000 000

- Balance brought forward:
  CHF 8 468 229

Dividends

	Gross *CHF*	35% withholding tax *CHF*	Net *CHF*
On approval of this proposal, the dividends amount to:			
per registered share	0.50	0.175	0.325

The dividends will be paid from 18 April 2008.

On behalf of the Board of Directors

The Chairman

Raymond J. Baer

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Report of the Statutory Auditors to the General Meeting of

Julius Baer Holding Ltd., Zurich

As statutory auditors, we have audited the accounting records and the financial statements (income statement, balance sheet and notes / pages 110 to 118) of Julius Baer Holding Ltd. for the year ended 31 December 2007.

These financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free of material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

KPMG Ltd

Daniel Senn
Swiss Certified Accountant
Auditor in Charge

Swen Wyssbrod
Swiss Certified Accountant

Zurich, 6 February 2008

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